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COMMONWEALTH CONFERENCE

The communique issued at the end of the Conference of Commonwealth Prime Ministers in London is an outline of matters discussed rather than of issues decided. Its value was not diminished thereby. In this shifting world scene, marked by an incalculable ferment in the far-flung Communist Empire, it is reassuring to find familiar policies thus re-affirmed. The conference discussed in principle and detail almost every issue of world importance. Neither neutralism nor racialism—two of the newer basic developments—was ruled out. In a period when regionalism and continentalism seem to be growing as a natural reaction to globalism, the Commonwealth conference embraces all of them. The tenuous Commonwealth ought to fall to pieces under the weight of these conflicting ideas. Instead, the conference discussed them with an absence of passion not to be found even in the debates on important domestic issues in any parliament of a member-State. Unanimity is not an end in itself. Very often there is an agreement to differ and to split for tactical or even higher purposes. But there is a continuous matching and meeting of minds, and in most cases an erosion of particularism, which cannot wholly be without effect even on such one-track-mind statesmen as the South African Premier. Every one in his more pessimistic moments fancies the end of the Commonwealth. Every one knows no less that the Premiers will be meeting again as usual in another year or so. The rising sense of racialism among the non-European members, the hostility and insults of certain politicians

of Singapore may tempt resentful Britons to call for the deportation of the malcontents or for the abandonment of all responsibility for them. But if Britain developed the same dislike of the multi-racial character of the Commonwealth that some of the Asians have lately expressed toward the white members the world would sustain an incomparable loss—though it might well be argued that peace and solidarity between all white peoples, including the Russians, would outweigh all other groupings. The Peking spokesman declared darkly that the Commonwealth Conference “faces the urgent question of the future of the British Empire.” It has been facing that every year (not least in wartime) for the past 100 years and more—ever since, in fact, the American Declaration of Independence!

Indeed the Commonwealth Prime Ministers seemed to be a good deal more concerned over the relations of the Commonwealth with China and Japan. Half of the nine members represented in London recognise Peking and half of them do not. Britain, India, Pakistan and Ceylon gave diplomatic recognition to China soon after the establishment of the People's Republic in 1949. But Australia, New Zealand, Canada and South Africa do not recognise Mao Tse-tung's regime. The Commonwealth Premiers found it useful to discuss the question of China's admission to the United Nations. It came up when they were talking about the Soviet's veto in the Security Council on Japan's admission.

All Commonwealth statesmen are agreed that they should continue to press for Japan's admission into the U.N. Japan should of course be on the Security Council too. If Peking would "deport" another dozen to the thousands of foreigners she has expelled—in most cases after long and disgraceful detention—one of the major emotional objections to its admission would be removed. The conduct of Peking in the past was aggressively hostile.

The devolution of responsibility which has been going on since the war gives validity to the Ceylon Premier's suggestion that there should also be a regional political, economic and cultural association between the nations of the Indian Ocean which could include Pakistan, India, Ceylon, Burma, Malaya and Indonesia. They have their internal conflicts—Kashmir and the status of the Tamils in Ceylon are cases in point—but they would be more easily soluble in the wider context of such a grouping for cooperation than they are at present, either through the United Nations or by direct negotiations. It would also encourage greater economic integration. Local regional groupings of this sort are practicable where wider continental associations are not. They supplement, without necessarily complementing, the existing defensive or security groupings. If war did come the uncommitted would be, by force of circumstances, committed almost as soon as the others. The need now is for fewer rather than additional security pacts, and for more and wider economic agreements and collaboration.

Here again the Commonwealth has a concern and connection as widespread as its political range. All except Canada are members of the Sterling Area, for which Britain acts as banker, and which is the biggest single trading unit in the world with an annual export-import turnover of about £10,000 million sterling. Britain is also the main investor, her long-term overseas lending in the Sterling Area of the Commonwealth having been well over £100 million a year for the last four years. It is, per capita, far and away the highest percentage of national income in the world; and the loquacious critics of colonialism ought really sometimes to remember that a very large part of this goes to the Colonies.

We are moving in this epoch in vast arcs of change, in which displacements are of the hemispheric order. The pessimists may be pardoned if they sometimes assume that it is not merely the expatriates of Britain and the West that the extremist politicians of Singapore want to get rid of, but their goods, chattels, and enterprises too. Readjustments there certainly must be, and it may be a lot more complicated for places like Singapore under an "Asian" dispensation than under the easy economic freedom of its free port Colonial status. There is no bridge builder quite so unobtrusive and

effective as the trader and economic man. Greater trade with the Chinese mainland by the Commonwealth would, it was suggested, help to promote better relations between China and Japan. The thought links are not clear but presumably it was an oblique reference to the need to have done with the Korean war embargoes, vexations to Britain and Japan alike.

The Indian Prime Minister presses for closer co-operation with the peoples of Asia, and the Europeans press for closer relations between the Commonwealth and Europe. There has been a suggestion, in line with the British Prime Minister's role as bridge builder, to organise Western Europe and the Commonwealth into a single production and trading area with Britain as the link. This is ostensibly to meet the challenge of Soviet competitive co-existence. Sir Anthony Eden has considered suggestions for attracting European as well as British capital for the Commonwealth. The idea would be a merger of the currency reserve of the O.E.E.C. with the Sterling Area in return for the concession of secondary preferences with Britain and her Colonies. The aim would also be to draw Western Europe into the Colombo Plan, which would generate a greater flow of capital investment into South-east Asia to meet the Soviet economic challenge. Indonesia, for example, has opened the path, by her decision to offer substantial safeguards against nationalisation of estates and enterprises, for vast schemes of new development in which American capital, European capital equipment, and Japanese trade and techniques could play a decisive role.

It is characteristic of the Commonwealth that its latest "rebel" (Ceylon's Prime Minister) should have given utterance to the profound comment that the Commonwealth has a way of life which does distinguish its members in spite of all differences which are neither few nor trivial. He described this way of life as "the democratic Parliamentary system with all its wide implications as developed by Britain through the centuries. It involves the independence of the judiciary, the rule of law, the belief that all men are equal in the eyes of the law. This we have inherited from Britain. It differs widely from the Soviet system and from the Fascist and semi-Fascist systems. It differs even from the United States though of course as a democratic country it is much closer to us than Russia." Ceylon's Prime Minister urged that the Commonwealth should become more compact but he was thinking more of the members of the Indian Ocean area. Japan will have a great role to play in helping to advance the underdeveloped nations. But for the present she has still to proceed with discretion in politics and concentrate on the economic side. Japan's star is ascending very fast, and that is all to the good of the democratic world.

THE NEW FARMERS OF MALAYA

"Back to the Land" rings the slogan through Malaya today. Farmers are told to grow more food, to make Malaya self-supporting and to use more machines for higher yields. What is more, prospects for farming in this country have never been brighter. Every incentive and encouragement is being given by the Government to better the lot of the country people who till the soil and raise cattle. In the near future, a Faculty of Agriculture of the University of Malaya is to be established in the Federal capital of Kuala Lumpur. There, experts will teach young Malaysians to become better farmers than their fathers.

Although beef and fresh milk generally comprise very minor parts of the diets of Malaysians, it is significant that the importance of beef increases considerably where it is produced, as in the northern State of Kelantan, and where it is sold at roughly half the prices charged for imported frozen beef. Cattle production is to be intensified with the introduction of a big scheme for making Pahang State a smaller version of America's Texas. Pahang, in central Malaya, has miles of rolling grassland which with the breeding of the right type of cattle could become extremely rich indeed.

In many respects, Malaya is no exception from other countries in having suffered a drift of its young men from the country to the towns. Only by offering a more attractive future on the land than the one in a city will this exodus be halted once and for all. This movement of sons from their parental smallholdings to the towns and cities has been going on ever since the end of the last war. The Emergency in Malaya, now in its eighth year, has also accentuated the drift for tens of thousands of young men have joined the security forces to fight against the Communist terrorists. During their service they have been switched around the country and become far more sophisticated and with new outlooks from those of farmer's boys of a few years ago.

Today that one-way traffic away from the land has virtually been stopped and now the wooing has begun to get them back. A trickle are going back but it is still very slow. However, no one is disheartened by these early setbacks, for the Government is convinced that given time more

and more of the right types will return to farming. On a scale undreamed of 30 years ago, Malaya is now being "opened up" because of the millions of dollars being poured into drainage and irrigation work. Tracts of flat land as far as the eye can see—land which was once swampy jungle—is now a sea of growing padi. And today thousands of farmers are growing two crops a year on land which they originally thought would only reap one crop a year.

Last year experiments were started on complete mechanised padi growing and rice harvesting. The experiments will continue for three years and a final report will then be drawn up. This could revolutionise padi growing in Malaya. However, as is well realised, the success in increasing the use of mechanised methods will depend on whether a system can be devised to make available more and more tractors, with the proper machinery, to smallholders at a charge they can afford to pay.

Definite progress, nevertheless, is being made in Malaya's efforts to mechanise agriculture. There are now more than 1,400 tractors engaged in cultivation—ten times more than there were five years ago. Everyone agrees that there is room for more to replace the work now being done by adults, children, buffaloes and cattle. But Malaya does not want to fill the gap in a hurry at the risk of having an inadequate number of tractor drivers, mechanics and technicians. Said a senior Agricultural Officer: "We are not interested in mechanisation for its own sake and we do not aim to beat other countries only in terms of tractors." Even so, the total number of tractors brought into Malaya for use in agriculture exceeds the number for mining, road making and other civil engineering purposes.

Farmers are now being told that they should grow cattle fodder in the off-seasons when their land is not under padi cultivation. Grassland husbandry has developed into one of the most important elements of modern farming in many temperate areas. Similar advances, though on a more limited scale, are taking place in parts of the tropics, but Malaya is not yet involved in this movement. By growing more animal fodder it can be utilised for an increase in the cattle population or intensification of cattle productivity. Today the most important use of cattle in Malaya

BRITAIN'S ECONOMIC PROSPECTS

By John Kingsley

In the last year, and even in the last six months, there has been a substantial strengthening in Britain's economic situation. There are still some causes for anxiety, but in a number of important ways a favourable trend has been established. One of the indicators of the improvement is the gold and dollar reserve position. In 1955 the reserves fell almost without interruption throughout the year. In the first five months of 1956 they rose by nearly 250 million dollars.

There has been an improvement, too, in the trade figures. The average monthly gap in the first five months of this year was £51 million; in 1955 as a whole, the average gap was £72 million, and in May this year the trade gap was the smallest, if the months affected by the dock strike are omitted, since November 1953. Further there may be some greater improvement in the second half of this year. Industry took some time to cut its orders for imports and the cuts are expected to be reflected increasingly in the import figures from now on. That is particularly true of steel and other industrial raw materials.

The overall balance of payments position has already responded to the Government's disinflationary policy. Last year the United Kingdom had a £100 million deficit on the balance of payments. Estimates at present suggest

is for work, chiefly in the cultivation of rice land. But with the gradual change over to mechanisation, cattle rearing will in time be looked upon in an entirely different light—one whose main purpose is to provide food. And once fresh beef can be sold at half the price of imported frozen beef it will be within the means of everyone's pocket.

Amenities such as electricity, a piped water supply, cinemas in nearby villages and community centres all indirectly are having their influence in bringing back Malaysians to the land. No one can expect a man who has lived in the city for several years and grown to be accustomed to those facilities becoming too anxious to return to a country farmhouse with its paraffin lamps, its well water and no entertainment for miles around. But now that so many rural areas in Malaya have these 20th century amenities—and those which do not now, will have in the near future—the whole proposition takes on a different complexion entirely.

Malaya's 6,000,000 population is expected to double in the next 20 years. This means that the country's food production must keep pace with this increase unless the high standards of living now prevailing are to drop. The role that the Malayan farmer has to play in the building of a new independent Malaya is more important now than ever before. In high schools, boys are being told that a future awaits them on the land, a job which no longer only offers drudgery and back-breaking toil. They are told that through the new agricultural faculty they can be taught how to make farming a most rewarding and satisfying life. These wide-eyed youngsters of today listen with interest and it is from their ranks that the biggest response is likely to come to the call, "Back to the Land." And what is even more, they will bring new ideas and methods to the farms of Malaya. Today a new type of farmer, different from any this country has known in the past, is being prepared for a very big job.

that this has been righted and that there is now a surplus of about the same size. This is the result not only of the improvement in visible trade, and the reduction in the gap between imports and exports, but also of an increase in earnings on invisible account, and particularly in the earnings from oil.

The general policy of disinflation is also having some substantial successes. Personal consumption has not risen at all over the last year. There has been a reduction in demand for the whole range of consumer durables, including such things as washing machines and refrigerators as well as motor cars. In certain areas there has been some reduction in the pressure of labour shortage, though this as yet is only a minor improvement. Exports have continued to go ahead. Room has been provided for the continuation of the investment boom without overstraining the economy.

On the other hand because the investment boom continues there has been no major relief in the pressure. So far inflation has been brought off the boil, but it is no more than a few degrees below boiling point. There are also a number of specific reasons for concern. The most serious is the continued rise in prices and the strong prospect of a further round of large wage demands being negotiated. As the other elements of inflation have increasingly been brought under control, more and more attention has been concentrated on the problem of wage inflation. This is now one of the major preoccupations of this Government.

It cannot be said that any complete answer has been found to the problem, but work is proceeding along a number of lines. The first is an official policy of explaining the dangers of a further increase in wages. This has limited application because Government spokesmen have to avoid upsetting foreign confidence while at the same time making their domestic warnings as trenchant as possible.

It is also believed that the reduction in the overall inflation, and in the labour shortage, will give employers a more nearly level bargaining position than they have had in recent years. Falling industrial profits will also tend to make for greater resistance to wage demands. All these measures will scarcely prove able to prevent wage increases, but they have a good chance of reaching the more limited objectives of keeping British wage increases in line with those granted in other countries. If that is achieved then Britain's competitive position will be maintained in export markets.

It is possible to sum up the general state of the British economy in this way: It is clear that progress is being made, but it is also clear that a much greater improvement is still needed. The economy is back on the right side of the line, but it still has no leeway. It is also unable to make the contribution to investment in the Commonwealth which the Government would like, and, indeed, feels to be necessary.

The prospect for the reserves is rather similar. The basic trend is sound and is expected to remain so. But the autumn is normally a difficult season and foreign confidence is no better than convalescent. The Government's policy now is to follow a year of convalescence in 1956 with a year of real strengthening of the economy in 1957. Over the next eighteen months will come the test of the present economic policy, of its ability to produce a better balance and secure the higher reserves that are still greatly needed.

DEVELOPMENT OF HAINAN ISLAND

The National People's Congress, meeting in Peking, was told that facilities are now being provided at Tsam-kong, on the mainland north of Hainan Island, for the berthing of 10,000-ton ocean-going ships. Tracks, with powerful mobile cranes, link up with the new railway and thus unite the port with the railway network of China as a whole. Tsamkong was better known as Kwangchowwan, the former French-occupied port. It is regarded as of great value in connection with trade with South-east Asia, though goods originating in Shanghai would have a long and costly haul across the width of the country before shipment, which could be made more cheaply from Shanghai or Hongkong.

Hainan is now one of the centres of development, and undoubtedly a great deal could be done to make fuller use of this semi-tropical island. Canton began to send Chinese and others from overseas to this island to grow rubber and tropical fruits, but the first settlers went there almost as they were going to a penal settlement, and Hainan has not figured in the frequent chorus of cheers from the Peking publicity organs. But now the new Youth Reclamation Corps has entered upon the scene. These are mobilised and organised almost in military fashion. Before the first Canton group of 3,000 of the new corps were sent off on December 6 for reclamation work in Hainan they gathered for a rally in the Sun Yat-sen auditorium, and Provincial Governor Tao Chu (who is also secretary of the provincial party organization), urged them to take good care of their health, write more letters to their homes, and to be determined to achieve good production. Hereafter, said the spokesman for the Reclamation Corps, "barren land will be turned into fertile fields with the use of the two hands," and grain and industrial raw materials will thus be produced to aid the construction of the Fatherland. Before the end of 1955 a total of 7,000 had "applied to join the voluntary reclamation corps," and it is indicated that the authorities hope the second and third groups will be "comparatively stronger" and more determined. They will set up youth collective farms on Hainan.

There are now 9,700 producer co-operatives in Hainan—seven times as many as there were in July 1955—and they embrace 42% of the peasant households. The 86 irrigation projects now being built are expected to contribute greatly to the per hectare output and complete the production target under the five year plan a year ahead of schedule.

Peking has announced that an extensive, over-all survey of Hainan Island had been completed. Nearly a thousand people took part in the survey, including specialists in agriculture, forestry, marine products and water conservancy. The data collected will be used to determine the position and size of future shelter belts to be built along the coast and inland. Valuable data was also collected for the planting of new forests and the cultivation of semi-tropical crops.

Many overseas Chinese, especially those who returned from Malaya and South-east Asia generally, were sent to Hainan to assist in its development. A working team sent there from the Overseas Chinese Affairs Commission, spent a fortnight investigating conditions for the cultivation of rubber and other tropical plants. A Canton message said that on their return the team applied to the Government on behalf of returned overseas Chinese for the use of wasteland to grow rubber and other plants. The working team

inspected large tracts of such land in the eastern and central parts of the island. They also visited the plantations owned by the State and by returned overseas Chinese and found the trees growing well. Rubber trees grown from seed brought back and sown by Chinese returned from the south over 40 years ago were being tapped for latex. Many of them give high yields annually. The new young trees propagated from the old ones are also growing well. The climate is, of course, suitable for the cultivation not only of rubber but also of sisal hemp, sugar-cane, coconut, oil palm, citronella grass and other tropical plants.

Work has developed considerably in the Li and Miao autonomous areas of Hainan Island in the last few years. The Chinese Communists regard it as the southern gateway of China and the front line of national defence. Its vast potentialities in tropical resources is not generally realised, however. It produces such materials as rubber, sisal hemp, banana plants, pita hemp, island cotton and Java kapok; oil-bearing crops such as the coconut palm, oil palm, castor-oil plant, and cherry-apple; medicinal herbs, beverage materials and spices such as quinine, betel nuts, aloes, coffee, cocoa, pepper and citronella grass; and fruits such as coconuts, pineapples, mangoes and bananas. There are many kinds of timber. Fish are caught and salt produced in large quantities. The Peipu Bay on the west side of the island is one of the largest fishing beds. The salt beds of Yungko Bay can yield an annual output of half a million tons.

On the island also there are mineral deposits containing iron-ore, many kinds of non-ferrous metals and crystal. Hainan is China's only tropical possession and she is being urged to make use of every inch of this land. But natural and man-made calamities have prevented its development. It was a victim of natural calamities, including typhoons, floods, and drought on 136 occasions between 1420 and 1860. The most serious drought lasted eleven months. Rulers of the Yuan, Ming and Ching dynasties launched more than ten large-scale military attacks on the island and one of the battles lasted 60 years. These calamities turned the island into what the rulers called "a hole for insects and reptiles." A Tang dynasty poet called it "a living hell." It also served as a prison for criminals who had been condemned to banishment.

Man-made calamities have been eliminated at least for the present, but exploitation of this "evergreen treasure island" requires a bitter struggle with nature. The grain produced from the five million or more mow of farmland is not enough to supply the needs of a population of 2,600,000. The State has to spend Yuan 3 million a year in freight to transport grain to meet the needs of the people. Water is ample though rainfall is unbalanced. The rivers are short and the water rushes too quickly to the sea.

Last year the people survived a bitter struggle against drought, which lasted eight months and against a very severe typhoon of maximum violence. In irrigation more than 25,000 projects have been built and nearly 800,000 mow of farmland irrigated. Grain output has been continually increasing and the total output in 1954 was 1,460 million catties, 49% more than in the days before the Sino-Japanese War. In the districts occupied by the Chinese (Han) who number more than 80% of the whole population, there are 10,000 APCs, and even in the minority areas backward methods of farming are changing. There were ups and downs. Once a provincial tractor station was abandoned

DEVELOPMENTS IN MONGOLIA

Looking back after eight years of existence in the Inner Mongolia Autonomous Region, a responsible official in the capital, now given its old Mongol name of Huhehot, recalled the developments of the past and boasted that the region has supplied 746,000 tons of grain to the State, while more than one million head of livestock were to be supplied this year. The region will also furnish the State with 10,000 tons of wool. There seem to be heavy demands on what used to be a very poor and scattered community, though it must not be forgotten that when the region was given autonomy Suiyuan with its overwhelming Chinese population was embodied in the Inner Mongolian Region, thus giving the Chinese a clear majority in all the public and official organs.

The co-operation movement has been pressed in this region as closely as in other provinces, and over 91% of all peasant households of all nationalities throughout the region had joined the APCs, while 74% of them are in the higher APCs. The movement has changed the relationships among the nationalities of the region. They have now established a relation of "blood and flesh," which further their unity and fraternity politically. There are also more than 250 pastoral producer co-operatives in the region. Nearly 64% of the herdsman households have been drawn into the co-operatives or into mutual aid teams. This is said to be a favourable condition for the promotion of "fixed residence and variable pastures" and for the development of livestock production.

The total grain output this year in the autonomous region is planned to reach 4,327,000 tons and the number of livestock is to reach 24,690,000 head. But various technical measures will be necessary to attain these targets. The State farms and State ranches are supposed to register large increases, though if the appalling results of the State farms in the Hulunbaer region (about which details are given below) are repeated the targets laid down will never be reached. Twenty major industrial projects include a water-supply works for Paotow, a power plant in Ulanhot, a woolen mill in Huhehot, and a tractor station in Taheiho. Highways link 66 Banners and hsien and cover a total of 6,000 miles. Yellow River shallow barges have made successful trial runs near Paotow and the Ordos Bend.

In order to promote economic and cultural construction, the mileage of railways to be built this year will be equal to the total built in the past two years, and over 8,500 miles of highways will also be built, including one that will go right through to link up the southern and north-eastern parts of Inner Mongolia. Student enrolment

as a failure, but a Party Secretary paid the island a visit and it was decided to adopt a policy of production in accordance with local conditions and resources, especially in the production of special and industrial crops. The State farm, for example, went in for sisal, coffee and citronella.

A third of the land on the island is arable, and on this it is intended to grow industrial crops and grain. In addition to using agricultural machines, the island needs another 1½ million people. A report by Chen Chun in the Peking People's Daily said that large-scale over-all prospecting work began in December 1955, and comprehensive, over-all and long-term preliminary plans for the development of the island were to be formulated by the summer of this year. The plans include the building of dams which will store and provide for irrigation 100 million tons of water.

is to increase both in the intermediate vocational schools and middle schools, where they are expected to total 64,000, and in the higher institutes, where they are to be raised to 2,300. Two higher institutes, the Inner Mongolian University and the Inner Mongolian Medical College, will be established this year with the aid of the State. The Veterinary College will also be expanded, and the reform of the language developed so that the new Mongolian language will be universally used in the region.

It is stated that there are over 10,000 workers of the national minorities among the various industrial and mining enterprises who have contributed immensely to the cause of construction. Special mention is made of two model Mongol workers, one a tractor driver employed in transporting timber from the Great Khingan Range and the other a worker in the Hailar tannery.

Peking recently complained that the loss of livestock among the fine herds of the Hulunbaer (Hulunbal) League in Inner Mongolia was excessive. There were 27,134 head of livestock in the eleven State-owned animal ranches (including 34 branch farms) in this League. They were made up of 17,034 head of cattle, 4,038 horses, 5,355 sheep and 257 camels. Over 95% of the cattle were of superior breed, and so were 80% of the horses, which were of fine build, robust and fast. Because of "poor management" livestock fatality figures were high in the State-owned ranches. During the 10 months from January to October 1955, 2,334 head of livestock in these ranches perished, and so far the fatality rate cannot be checked, 304 head of cattle perishing in January this year, and another 397 died in February, mostly calves. Of the 432 calves bred in five of the ranches, during January and February, 198 head died. This mortality rate of over 45% is rare among herds in this region.

The Peking People's Daily states that the main reason for this high fatality rate is the "improper way of raising the animals and the unsatisfactory manner in which hygienic and epidemic-prevention work has been done." It is also, it adds, due to "the failure to carry out labour discipline and technical regulations in the livestock ranches and the negligence of certain livestock keepers." On one ranch, 68 head of cattle perished in the mire during one storm. The pens for calves were dingy and damp and ranch keepers kept away at night, the breeding of calves was carelessly tended and many calves died of infection. In many farms they were not even properly fed. In others the surroundings were extremely unwholesome and the litter of dead bodies was everywhere. There were no sanitary or anti-epidemic precautions at all.

Some attributed the heavy losses to poor farm equipment and man power shortage, but this was disputed. In the principal ranch, which was comparatively well equipped and had adequate man power, the mortality rate was as high as 61%. It all depends on reasonable care and leadership. It is admitted that most of the State ranches were set up hastily and without proper preparations, and that even the political workers, technicians and management personnel were below par, while the Veterinary Bureau of the Ministry of Agricultural Industry had sent none of the vets, they had promised. The operational staff is still short by 42% and production management and technical personnel are urgently needed in mechanised ranches and tractor stations. It is planned to open up 25,000 hectares of wasteland and plant fodder over 6,000 hectares of farmland. If reclamation and sowing cannot be pushed through this spring, the

CHINESE SCIENTISTS' NEW FREEDOM

Three weeks after the event, the Peking regime released for the Press the text of an important statement of policy made in behalf of the Central Committee of the Chinese Communist Party by Lu Ting-yi, Chief of the Propaganda Department. It was made in the form of a speech by that luminary to a gathering of Chinese scientists, writers and artists at the Huaijintang Hall on May 26. It was presumably the result of the painstaking and possibly very sceptical examination of the concrete results of the appeal made by Premier Chou En-lai to the Central Committee for a more sensible and less arrogant and oppressive policy towards the intellectuals.

For six years the intellectuals have had a shattering experience. They could hardly have been more humiliated and contemned had they been plain malefactors and criminals instead of eminent scholars and graduates. Not all of them were ready to kiss the rod with quite the same acceptance as the former President of Yenching, who recently made a statement showing a remarkable degree of Christian forbearance and forgiveness. But even with all the reservations, explicit and implicit, in the Propaganda Chief's assurances, the new policy betrayed a spirit of amiable condescension quite unthinkable in the earlier days of the regime.

The policy of the CCP, said Lu Ting-yi, is to encourage free and independent thinking in literature, art and scientific research; freedom of debate, freedom of creative work, freedom to criticise and freedom to express, maintain, and reserve opinion. Without undue unctuousness, the speaker said the past had proved that unless there is encouragement for independent thinking, and free discussion, there will be stagnation. The policy, it was added, is aimed at mobilising all active elements to serve the people better, thus enriching China's literature and art, and helping to catch up with world standards in science. Of course Marxism-Leninism must never be ignored or neglected. Here is the last word in wisdom, the great oracles of scientific faith in which scientists always seem to be deviating. But there is more than a suggestion of broad-mindedness about it. While Marxism-Leninism must be studied—voluntarily of course—"we should acquire the widest possible knowledge. We should learn critically from the past and the present; from China and from foreign countries; from our friends as well as from our foes," said Lu Ting-yi.

Thus China in the middle of the Twentieth Century has accepted, broadly but not quite unconditionally, the basic principle of the Meiji Testament a little after the middle of the Nineteenth Century. That directed the Japanese to seek knowledge wherever it was to be found and

fodder supply will be affected both this year and next year. Work teams were in the meantime sent round to the State-owned ranches and emergency measures adopted to prevent still greater losses.

The Peking newspaper reads the leadership organs concerned a lecture and discloses that though tractors and drivers have been obtained for the job, three-quarters of the production management and technical guidance personnel are still not available. It seems they would do better if they simply handed the farms and herds back to the Mongols and let them look after them. There would certainly be better—there could hardly be worse—results!

put up no ideological or other barriers. That is why Japan became, and still is, the foremost nation of Asia.

There are many other freedoms still denied: freedom to oppose, freedom to vote for opposition candidates, freedom to have a definite if not decisive voice in the laws and ordinances and general legislation whereby the people are governed. But patience is required: the pace is already far faster than anybody looking at the Russia of Stalin or at the China of Liu Shao-chi and Kao Kang could possibly have imagined. Indeed China is becoming more and more a pattern of revolution of her own, despite the extraordinarily detailed part played by the Soviet advisers in all branches and phases of activity. The Chinese spirit is playing upon it to-day and it is a much less barbarous spirit than that fashioned into the very bones of the Russians. It could be, now that the regime feels secure, a truly liberal spirit in the not distant future, and be the more persuasive in its influence on the rest of the Continent because of it.

These changes derive in some part from the national tradition and temperament as well as from the urgent need of getting the whole-hearted aid and co-operation of all men of intellect and professional training to make up for the Party's singular lack of everything except the Dialectics of Materialism, Historical Materialism, and other Marxist teachings. With these one can neither build a bridge, nor design a building, operate a machine or cure a disease, build a railway or drill a well. The Party man stops being useful at the point where the real work begins—and in China Party dependence on the scientists and true experts is almost absolute. Some of the ablest of these have recently come from the United States and other Western countries. Hardly a single one of them is a convinced Marxist. But they were in a position of strength and the concessions had to come from the Party leaders, who are, after all, not replicas of the type of the Old Bolsheviks. They mean most of what Lu Ting-yi said, though the intellectual must expect to continue his encounters with the Party bureaucrats. Not knowing much about science, they are bound to remain obtuse as ever in ordering the scientists to do what they ought not to do until relationships become finally regularised with superior knowledge and experience rather than ideology as the main criterion. The Party Dictatorship, it is stressed, will remain over counter-revolutionaries, but, says Lu Ting-yi, "among the people we take the stand that there must be democracy and freedom." The gesture represents, in effect, a tremendous advance over the obscurantism and arrogance of the past.

One of the most remarkable admissions was that it was futile to try to solve ideological problems by means of administrative orders. Only through open debate could materialistic thinking gradually overcome idealistic thinking and, said Lu Ting-yi, the Central Committee is emphatically putting forward the policy of "Let flowers of all seasons blossom together and let diverse schools of thought contend." That is in accordance with the powerful and almost consistent tradition of classical China, and this return in spirit is backed by the effort to protect the scientist from attack under the existing social system. "It is impossible to think independently and to carry out complex creative work without committing any mistakes," said Lu Ting-yi, who made the further striking admission that "dogmatism nearly lost our revolution during the period of the democratic revolution; it is the great enemy of Marxism-Leninism." He called for broad intellectual exchanges not

SLOWER PRIVATE ENTERPRISE TRANSFORMATION IN CHINA

By A Chinese Commentator

Reports from Peking during last 6 months painted a picture of great success in the socialist transformation of private enterprises. Vice-Premier Chen Yun at the National People's Congress still claimed that except for a few border areas, all private industry and commerce had come under joint state-private ownership or changed into socialist co-operation. However, he then admits this does not mean the completion of the transformation; it is only the beginning. He also revealed that on February 8, about one month after the tide of nation-wide socialist transformation of private industry and commerce had reached its climax, Peking ordered that all private enterprises and handicrafts should continue operating as before for a period of 6 months because as a result of so quick a change, many departments and areas had no time to accumulate experience of bringing the enterprises of whole trades under joint state-private operation. Consequently, enterprises which should not have merged were combined and some combined organizations were too big to handle.

Peking found that the reorganisation of enterprises could not be done hastily and announced that even after

only with China's ideological friends but also with her "capitalistic foes, from whom we should borrow every valuable scientific and technical invention." Another doctrinal touch of some moment was the statement that ideological differences survived even in a classless society and would remain after Communism had been achieved.

The speech was preceded by a lively symposium on how to implement the academic line of "free discussion to let all schools contend in airing their views, in which many scientists and professors who helped to chart the plan for scientific development of the nation took part under the auspices of the Chiu San Society a week before Lu Ting-yi's speech. Freedom of debate was the major theme of this symposium. One research scientist recalled a visit by the Chinese Academy of Sciences delegation to Tashkent, where one Soviet scientist adhered to his own academic opinion in 50 debates. After each debate his supporters dwindled in number and finally he stood alone after several debates. But he emerged victorious in the end.

The right of contention is a right others may also demand, and the Party submission to the scientists on this issue may have far-reaching effects later on when the greater part of the industrialisation programme is completed and China can afford to indulge in some of the other freedoms. The question of how the sciences of the Soviet Union, Britain and the U.S.A. should be learned under the academic line of "free discussion to let all schools contend to air their views" was discussed "with enthusiasm" and the scientists particularly appreciated the call to learn from all countries and nationalities. They grumbled over the cancellation of subscriptions to British and American scientific periodicals and the hiding away of those that actually existed in the universities, and nearly every scientist emphasised the need of "learning humbly from other people, the importance of thinking independently, and the need to avoid parrotry and vacillation and swallowing the whole thing without discrimination." Instances were also cited to illustrate the loss brought about by learning from foreign countries without resorting to independent thinking, and the Lysenko debacle was thoroughly rubbed in.

the 6 months, reorganisation would not be carried out in all the trades; there must be adequate preparation! Chen Yun now urges that in the reshuffled enterprises where opinions of the representatives of the private interests have not been solicited, their opinions should be asked and if there is any inappropriate handling, changes should be made. Similarly, with the opinions of the workers and technical personnel. This admission of shortcomings also reveals the fact that the high tide of socialism in January was the work of union leaders and party officials against the will of a large number of private interests, technical personnel and workers.

Chen Yun also pointed out that the socialist transformation of private industry, commerce, handicrafts and transport is a big and complicated task; the joint state-private enterprises must be better operated than the capitalist enterprises and the cooperative enterprises better than those under individual management. The income of workers and other people in joint state-private and cooperative undertakings should not be less than before the socialist transformation and should be gradually increased. Chen Yun listed following prerequisite steps: (1) Production techniques and management experience of capitalists, industrialists and businessmen should be analysed and those that are appropriate should continue to be applied in the joint state-private enterprises and also adopted in state enterprises. (2) To enable capitalists and state representatives to cooperate satisfactorily, the local Party and government organisations should guide the departments in charge to promote better cooperation with private interests. (3) It is necessary to educate the workers and explain that it is in their interest to unite with the private shareholders and to make use of their abilities.

Explaining why the government does not organise all small traders and peddlers into joint state-private or co-operative stores, Chen Yun says that a large proportion of shops, stall-keepers and peddlers are scattered through the residential areas and provide a service which will be needed for a long time. If they are all squeezed into a smaller mould and organised into concentrated state-private or co-operative stores, this would create inconvenience for the people. If they were allowed to continue their scattered operations with the state paying them fixed wages, it would be impossible to retain their initiative. At the same time there is a small section of traders and peddlers whose present incomes are higher than the wages of the employees of state-private or cooperative stores.

The reason why small owners have welcomed state-private ownership, according to Chen Yun, is because small proprietors, after the changeover, can draw income from the fixed interest on their shares in the joint enterprises. However, it now turns out that the interest thus obtained and the low wages these proprietors get after the changeover are not enough to keep them alive.

Such is socialist transformation. The dislocation of production and other adverse effects must be serious, serious enough to warrant self-criticism at the National People's Congress, serious enough to force Peking to allow capitalists and businessmen to relax before they are ultimately liquidated.

"UNITED FRONT" UNDER COMMUNIST DICTATORSHIP IN CHINA

By A Chinese Commentator

After Chinese Communists came to power in 1949 they invited the so-called "democratic" parties which had supported their struggle against Kuomintang to participate in the first plenary session of the Chinese People's Political Consultative Conference. Communists made it clear that ultimately, these parties would be dissolved and the only way members of these parties might survive was to adopt Communist teaching and renounce their original faith. According to Li Wei-han, vice chairman of the Standing Committee of National People's Congress, Peking has been quite successful in substituting Communism for democracy which these little parties had before 1949. He announced that the worker-peasant dictatorship is now "indestructible"; most intellectuals are acquiring the status of the working class; the majority of capitalists are being absorbed in the staff of state-private enterprises and are working for socialism; most national minorities are on the road to socialism; and all "democratic" parties have accepted socialism as their aim.

However, speaking on "united front" at the Congress last week, Li Wen-han now declared that cooperation with other parties was an "unswerving policy" of the Communist Party that would "never be changed." Does this mean that all the "democratic" parties now in China would be allowed to stay indefinitely? If Communists had set out to eliminate all other parties and have been successful in this

respect, why should they bother to put up a front of apparent equality with other parties?

Communists who have captured the body but not the heart of capitalists and intellectuals are not satisfied with the amount of work they get out of these "left-overs" from the old regime. They realise now that the effective brain-washing of these bourgeoisie, if not impossible, cannot be done in a rush. A long period is necessary to carry out the socialist industrialisation because there must be a sufficient number of experts in science and technology. Since Communists do not produce their own cadres of experts within a short time, they have to humour the existing capitalists and intellectuals and give temporal and limited freedom to various parties to which these bourgeoisie belong. Li Wei-hen therefore urged Communists to follow Lenin's advice and learn from intellectuals and capitalists.

In order to get better performance out of them, Communists are now supplementing the brain-washing with measures designed to capture the heart of their slaves. Communists are asked not to interfere in the freedom and independence of other parties and to respect the position and authority of capitalists in different organisations and support them in the carrying out of their functions and power. This change of attitude also serves to create the illusion that there is no dictatorship in China, that China is ruled by democratic parties. It also fits into the Soviet

RAILWAY DEVELOPMENT IN CHINA

In his report to the National People's Congress in China Vice-Premier Li Fu-chun, who is Chairman of the State Planning Commission, stated that the work done in railway building in the last four years over-fulfilled the original five-year target by 13%, and ahead of schedule. In 1956 it is planned to complete another 2,000 kilometres, making a total of 4,625 kilometres of new trunk and branch railways in four years. The importance of highways, as feeders among other things, is well known and the Vice-Premier stated that in this case also they had exceeded the five-year target in four years. This target was 10,000 kilometres. Between 1953 and 1955 9,053 kilometres had already been built, and by the end of this year another 4,611 kilometres will be added.

A big railway marshalling area with more than 100 lines is under construction in Lanchow, which will be the hub of three railways in the near future. All loading and unloading operations will be mechanised, and the railway centre will have nine stations serving different purposes. A railwaymen's hospital and two secondary schools for railway families are to be built, while a higher educational institute training railway experts will soon be moved there from North China. A railwaymen's cultural palace (the Communist name for a club or communal centre) is also to be built.

Lanchow is the geographical centre of China, and is 1,550 metres above sea-level. It was always a key point in the traffic between China and the West before sea transport was developed. It is now the junction of three railways, the Lunghai line to the eastern coast, the Lanchow-Sinkiang line eventually to be linked with the Turk-Sib Railway, and the North-eastern line now being stretched toward the future steel centre of Paotow, along the railroad of the old Peking-Suiyuan Railway. Another new line is being planned to go westward from Lanchow to the Tsaidam Basin, the new oil centre, and then to turn south to Lhasa.

propaganda which is wrapping Communism under a cloak of democracy newly tailored to impress the neutral countries. It also supports Chou En-lai's offer to Taipei for a "peaceful liberation" of Taiwan implying that the Nationalists will have a place in the country just like all other parties.

But behind all these gestures, Communist rule is firm in China. The methods are less blunt. The united front will be consolidated to speed up socialist transformation. The primary method for dealing with class contradictions and struggle will still be persuasion and education through reasoning, emulation, criticism, self-criticism, and encouragement which is the Communist jargon for brain-washing.

Capitalists and intellectuals are tolerated now because Communists expect better cooperation from them for the building of a strong Socialist state! Li admitted that the capitalists in China have definite abilities and experience in operation and management, in technology and skill of production; after necessary further education and reformation, they will become an important factor in the building of socialism. He also gave the final warning: "The capitalists should understand that to work cooperatively in the enterprises it is necessary not only for them to score achievements by taking an active part and engaging energetically in self-reformation. In ideology and practical work they should give up the capitalist way and adopt firmly the socialist way, striving to change themselves gradually into working people in the true sense of the word."

Over 10,000 workers are engaged in double-tracking a section of the Peking-Paotow railway between Shacheng and Tatung. In the first stage ten railway stations between Kalgan and Tatung are being expanded and a new station is being built near the existing Kalgan station. The larger construction work on the roadbed and bridges for the double-tracking began in May. The completion of the double-track between Shacheng and Tatung will eliminate the congestion as a result of the new through railways, the Tsining-Erhlien railway (linking up with the Trans-Mongolian line) and the Fengta-Shacheng Railway, linking up with the Peking-Paotow Railway.

The bridge over the Yellow River at Tungkangchen, a major project of the Paotow-Lanchow Railway, was completed on April 17. This is the first large concrete bridge of China. The technical aspect of the construction was very complicated. The builders had to overcome the flood torrents of the Yellow River and the difficulties of building during the fiercely cold winter of this region. The completion of the bridge and the speedy progress of the foundation, tunnel and bridge works will enable the completion of the Lanchow-Tichiatai section of the railway before August 1 this year—more than a year ahead of the schedule laid out in the first five year plan.

Socialist labour emulation is being employed among the railway corps engaged in intensive labour for the completion of the Yingtan-Amoy railway a year ahead of schedule. On April 25 the track-laying train had passed through Wuyi Mountain and soon reached Shunchang, Nanping and Shashien. The rainy season has arrived and those in charge of mountain excavation and bridge building are accelerating their progress. Over 60% of all the tunnels and 87% of all the bridges along the railway have been completed.

Work on the building of the second Fukien railway, between Nanping and Kuantou of 140 miles, which will link up with the Yingtao-Amoy Railway, has begun and will be completed by the end of the year. It will pass through Foochow and is being built by the railway corps of the PLA.

Tracklaying along the projected Paotow-Lanchow Railway started from Lanchow on May 25. Before the end of July a 50-mile section is due for completion. Most of the road-bed, bridges, culverts and tunnels have already been built along this section. The 350-mile western section of the Lunghai Railway is being rebuilt. Tens of thousands of workers are building or rebuilding stations, bridges and tunnels between Paotow and Lanchow. When the work is completed in 18 months the section will be able to transport twice as much as now.

A branch railway is to be built from Lanchow to the Liukia Gorge, 40 miles distant, on the Yellow River. Liukia Gorge is the site of one of the first two hydro-electric power stations scheduled to be built under the plan for permanently harnessing the Yellow River. The other is on Sanmen Gorge. Each will have a capacity of one million k.w. hours. The new line will transport building material to the construction site of the hydro-electric station.

It was announced from Lanchow on May 3 that Soviet engineers had joined the Chinese teams building the Lanchow-Sining line and had made important suggestions for fixing a better route than that proposed originally by the Chinese experts. The new route will require fewer tunnels and will not require the shifting of a five-mile section of the highway. The changing of the section near Hungchuan

to the north of Huangshui will also avoid serious threats from silting. The new line will save one million yuan and is superior in many respects. The projected railway, some 650 miles in length, starts from Hokou, west of Lanchow, passes through Sining and thence runs to the Tsaidam Basin. Along the whole line people are to be found of Tibetan, Mongol, and Kazakh nationalities. There are rich mineral deposits in the Tsaidam Basin, where economic development will be accelerated after the railway is completed.

The first through express from Shanghai to Lanchow left Shanghai on the evening of May 8. Most of the passengers were technicians returning to Lanchow, Sian, Chengchow, and other cities where they have been engaged in construction since last year. The through express was due to reach its destination ten hours earlier than previous train journeys.

Work has also begun on a railway from Wuchang to the Tayeh iron mine, south of the Yangtze and about 85 miles south-east of Wuchang in Hupeh. Ore from the iron-mine will be directly transported to the workshops of the Wuhan Iron and Steel Complex after the completion of the Railway. The new railway will also link up with the railway in Hwangshih, a rising industrial city on the south bank of the Yangtze, north-east of Tayeh. The new railway will pass through a number of hilly, lake and swamp areas.

Construction also began about the same time, in mid-May, on a new branch railway to connect the Yumen oil-field with the Lanchow-Sinkiang Railway, which will enable crude oil to be transported directly by rail. The branch is a little over 20 miles long. The main railway is also connected by rail now with its two main coal mines at Akanchen and Shihmenkou.

The 230-metre bridge over the Hungshui River in the Kansu Corridor, constructed by Soviet experts, was completed on May 24. It was one of the major projects along the railway.

Peking reported on June 7 that the Lanchow-Sinkiang Railway had reached Kiayukwan, the terminus of the 2,000-year-old Great Wall. Kiayukwan is 500 miles north-west of Lanchow and a dozen miles from the Yumen oil-field, China's chief oil-producing centre. Track-laying also began in the middle of June on a new 100-mile railway in Inner Mongolia to link the future Paotow steel centre with the iron-mining area north-west of Pelingmiao. The line is to be completed this year.

The southern section of the Paochi-Chengtou Railway completed its track-laying on June 26 and will soon be linked with the other section. This trunk line linking Southwest and Northwest China will be nearly 500 miles long.

The Lanchow-Sinkiang trunk railway reached the Yumen oilfield on June 24. The Lanchow-Yumen section of the 2,000-mile project has more than 1,000 bridges and culverts. Crude oil from China's biggest oilfield may now be transported by train directly to the refineries in other parts of the country.

It was announced on June 25 that talks on concrete questions about the construction of the Lanchow-Urumchi-Aktogai Railway are now being held between the Chinese and Soviet delegations. The two delegations and surveyors made inspections on the Sino-Soviet border in mid-June and the present talks followed. The two parties reached a preliminary agreement on building the railway along the southern coastline of Lake Ebi. Agreement was also reached on the location for the junction of the two railways and the site for changing the railway gauges on the Sino-Soviet border. Through railway traffic is expected to begin in 1960.

Though Peking has just claimed the completion of one of the highest dams in the world—the Meishan Reservoir

PRODUCTION STATISTICS OF COMMUNIST CHINA

By G. W. Hemy

PART I

INTRODUCTION

These notes attempt to collate such statistical information as has been given by the Communist Chinese authorities. There are many gaps and much that is uncertain. I have tried not to impose my own views but merely to collate what the Chinese themselves have said, but in this I have certainly failed because they sometimes say two or more things or talk ambiguously. The bulk of the information comes from link indices and I have related these (with minor exceptions, where information was lacking) to 1952 = 100. 1952 has been chosen because it is the reference year for the Five Year Plan and also because it is the first year for which reasonably comprehensive and uniform data are available. There is reason to believe, too, that the figures for this year were carefully revised by the Chinese in preparation for the Five Year Plan.

For fear that I should be misunderstood, I ought to remark that in my judgment when the Chinese authorities give figures they are broadly true. The uncertainties arise because they give comparatively few and do not give them in uniform series. One is thus forced to use second grade material—politicians' round figures, estimates and so on. There are errors implicit in the use of link indices over long periods (the choice of 1952, roughly in the middle of the period considered, minimises these); in our ignorance of Chinese statistical methods (are crop yields true "barn" yields or are they "biological" yields as in U.S.S.R.?); and in the inherent difficulties of collecting statistics in such a vast country.

Nevertheless I believe that the figures given will prove to be reasonably near the truth. Where I have had to choose I have taken the highest of equally supported alternatives up to and including 1951, and the lowest thereafter. This is based on the assumption that any bias in Chinese figures is likely to exaggerate progress made.

To keep these notes to moderate length I have suppressed detailed references and, apart from the three appendices, any discussion of my reasons for preferring one source to another. Similarly, I have omitted minor products, products where the information available was seriously incomplete as well as details of such things as the Budget, Welfare, Education and so on.

or series of dams in the middle Huai River more than 550 metres long, with 15 dams and 16 arches to hold nearly 2,000 million cubic metres of water—it makes much less impression abroad than will the completion of the Yangtze River bridging project. This will really make the world sit up and take notice. All the eight foundation piers will be completed by the end of the year. The deputy chief engineer (Chu Shih-yuan) who works under a group of Soviet experts, said on the eve of May Day that the construction of this largest bridge in the Eastern Hemisphere is proceeding faster than scheduled. The railway on the north and south banks has already been extended to the points where the bridge ends. The road-bed in the south meets the intended southern end of the bridge. Active preparations were being made to start the installation of steel girders on both ends of the bridge in June and September this year—before and after the summer spate. The Chinese engineer, Chu Shih-yuan, said the bridge will be opened to traffic by the end of 1957. The bridge is a double-decker road and rail bridge with its main span of 1,000 metres.

CONTENTS

Section

- A Heavy Industry, Mining, Fuel, and Power
- B Light Industry
- C Agriculture
- D Population, Value of Production, Exports, Communications.

Appendices:

- Bibliography

Notes

1. Bracketed figures are not given in the sources, they have been deduced from other figures in the table, except where otherwise noted.
2. Minor discrepancies between indices and production figures are due to rounding.
3. Quantities, with a few exceptions, are in metric units. Currency throughout is the new yuan (equals 10,000 old yuan) introduced 1st March, 1955.

Conversion factors:

1 li	=	0.5 km.
1 mou	=	0.66 hectare
1 catty	=	0.5 kg.
1 picul	=	50.0 kg.
6.859 yuan	=	£1 sterling
2.34 yuan	=	U.S. \$1.

SECTION A:

FUEL AND POWER, MINING, AND HEAVY INDUSTRY

1. Electricity.
2. Coal.
3. Coke.
4. Pig Iron.
5. Crude Steel.
6. Finished Steel.
7. Other Metallic Minerals.
8. Crude Oil.
9. Petrol.
10. Tyres.
11. Cement.
12. Electrical Machinery.
13. Machine Tools.
14. Vehicles.
15. Chemicals.

ELECTRICITY

1. Production

Year	Index 1952 = 100	Annual Rate of Increase	Production Million KWH
Pre 1949	Peak (90)		6900*
1949	63		(4575)
1950	67	6	(4850)
1951	80	20	(5800)
1952	100	25	7260
1953	126	26	(9150)
1954	151	20	(10900)
1955 (plan)	180	20	(13050)
(est.)	173		(12560)
1956			
1957 (plan)	(219)		15920

* This is the figure given by Bostow (Prospects for Communist China: Page 229). The figure given in Economic Bulletin for Asia and Far East (November 1953) of 3600 seems much too low. The 1954 Economic Survey of Asia and the Far East apparently accepts 6900.

Other estimates:—

Year	Rostow op cit p. 239	"The Times" 7.9.55	Econ. Survey of Asia & Far East: 1954	Economist 7.5.55	Financial Times 6.12.54
1949	3600				5200
1950	3800				5500
1952	5700	7200†		7000	8600
1954		11000†	10800	10800	
1957		15500†		14000**	

† The report gives figures of 7.2, 11.0, and 15.6 m. KW respectively: these are obviously incorrect and my interpretation is as given in the table.

** or 1959.

2. Capacity

- From the following four statements:
1. If capacity in 1953 = 100, capacity in 1954 = 116, 1955 = 139 (N.C.N.A. 25.3.55)
 2. Capacity at mid August 1955 was 156% of 1952. Increase in capacity between 1952 and 1954 was 530,000 KW (Report on First Five Year Plan, Supp. to P.C. 16.8.55)
 3. During First Five Year Plan capacity will increase by 2050000 KW (N.C.N.A. 8.7.55)
 4. The ultimate annual output of generating equipment will be 800,000 KW (N.C.N.A. 21.8.55), it is possible to construct various series showing capacity in 000 KW, e.g.:-

	A	B	C	D	E	F
1952 end	1000	1200	1400	1600	1800	2000
1953 "	1300	1500	1650	1825	2000	2170
1954 "	1530	1730	1930	2130	2330	2530
1955 mid Aug.	1560	1870	2180	2510	2820	3120
1955 end	1850	2075	2300	2575	2800	3030
1957 end	3050	3250	3450	3650	3850	4050

Of these, columns A seems most unlikely because it assumes such a large increase for August-December 1955. Columns B, C and D are all possible and, allowing for the approximate nature of the figures, columns E and F are not ruled out.

Li Fu-chun (N.C.N.A. 28.9.55) says that capacity increased by over 900,000 KW between 1952 and 1955. This presumably means an increase up to end August 1955 of between 900 and 950,000 KW (if the figure was above 950 he would presumably have said: "nearly one million KW": this excludes columns B and C.

Po Yi-po (Three Years' Achievements of the People's Republic of China-October 1952) says that the rate of utilization of electric generating equipment in 1951 was 35% and that there was an 82% increase in this rate between 1949 and 1952. Assuming that this expresses the total hours worked per annum, the 1951 figure of power generated would give a total capacity of about 1,900,000 KW in 1951: (5800 100 1) (x x million) (35 365 x 24)

Column F is therefore most likely. Higher figures are unlikely because the discrepancy between capacity at August and December 1955 becomes too big. I explain the present difference by supposing that the comparison between 1952 and 1955 in statement 2 above refers to August 1952 and not December as my calculations originally assumed.

Year	Installed Capacity 000 KW	Electricity Generated m. KWH	Rate of Utilization %
1951	1900	(5800)	35
1952	2000	7260	41
1953	2170	(9150)	47
1954	2530	(10900)	49
1955	3030	(13050)	50
1957	4050	15920	40

Rostow (op cit p. 229) gives peak pre-war capacity as 2,679,000 KW
Economic Survey of Asia and the Far East 1954 (p. 96) estimates 1952 capacity at less than 2.9 m. KW: no source is given for this estimate.

3. Coal Consumption of Thermal Plants

.485 kg. of coal per unit of electricity in 1952. (Lai Ju-yu-General Conditions of China's Labour Movement: 1.5.52).

This consumption has probably been since reduced. The Communiqué on the Fulfilment of the 1954 State Plan (N.C.N.A. 23.9.55) notes a reduction in coal consumption in 1954 of 2.1%.

4. Costs of Construction.

From information in P.C. 16.6.52 and the Report on the First Five Year Plan (supp. to P.C. 16.8.55), it is possible to deduce:

Cost of 100,000 KW power plant in 1952 Y160-180 m.*
Cost of 50,000 KW power plant in 1955 Y67 m.
Cost of 500,000 KW turbine generator in 1952 Y360-420 m.

* Here, and throughout, values are given in terms of the new yuan introduced 1.3.55. (1 new yuan = 10,000 old yuan).

COAL

1. Production

Year	Index 1952=100	Annual Rate of Increase %	Production million metric tons
Pre 1949 Peak	?		58.63°
1949	49		(31.0)
1950	65	33	(41.3)
1951	81	24	(50.5)
1952	100	24	63.5
1953	107	7	(68.0)
1954	126	18	(80.0) †
1955 (plan)	151	20	(95.9)
(est.)	146		(92.7)
1956			
1957 (plan)	178		113.0

* This figure is from Rostow (op cit p.p. 229 and 239)

† Communist sources give 82 million tons.

Li Fu-chun (Restoration and Development of our Industries 2.10.52) gives the ratio actual/potential production as 30% in 1949 and 75% in 1952. In September 1955 (N.C.N.A. 28.9.55) he gave the increase in productive capacity between 1952 and 1955 as 26 million tons. The Report on the First Five Year Plan says that the increase in production capacity between 1952 and 1954 was 13 million tons. These statements give the following table.

Year	Output m. tons		Potential %
	Potential	Actual	Actual
1949	(103.3)	31.0	30%
1952	(84.7)	63.5	75%
1954	94.7	80.0	84½%
1955	110.7	92.7	84½%

The 1949 figure for pbntial/actual is clearly too low. The others seem pretty consistent.

Other Estimates of Production

Most other estimates are lower, some considerably lower than the figures I give. Reuter from Hongkong (quoted in The Christian Science Monitor) "most experts here estimate that China may now be producing between 40 and 50 million tons". "Now" is presumably 1954.

Year	Rostow p. 229 m. tons	Colonial Geolog. Surveys m. tons	Financial Times 6.12.54	"The Times" 7.9.55 m. tons	Economist 7.5.55	Econ. Survey of Asia & F.E. 1954 m. tons
1949	24	16	37.24			
1950	35	29	48.16			
1951		38	63.06			
1952	53	47	75.23		65	
1953		50	81.99			
1954				72	82	82
1957 or 1959					105	

COKE

No absolute figures are known, but production appears to be rising rapidly.

Index
1951 = 100
1952 = 147
1953 = 185
1954 = 233
1955 = 295 (plan)

PIG IRON

Production	Year	Index 1952=100	Annual Rate of Increase %	Production m. met. tons
Pre 1949 Peak		96		1.800*
1949		13		.246
1950		52	300	(.980)
1951		75	44	(1.400)
1952		100	33	(1.870)
1953		119	19	(2.220)
1954		156	36	(2.92)
1955 (Plan)		184	13	(3.400)
(Est.)		194		(3.590)
1956				
1957 (Plan)		(250)		(4.670)†

* Other sources give 1.9, Rostow 1.99.

† The Five Year Plan envisages an increase in capacity between 1952 and 1957 of 2.8 m. met. tons. Production may therefore be somewhat less.

Other estimates:—

Year	Pig Iron Rostow op cit pp. 229, 239	Pig Iron Colonial Geolog. Surveys op cit (inc. Ferro Alloys)	Iron Ore Colonial Geolog. Surveys op cit	Pig Iron Financial Times 6.12.54
Pre 1949 Peak	1.99			
1949	.21	.2		.33
1950	.83	.94	3.05	1.11
1951		1.52	4.58	1.91
1952	1.6	1.93	6.10	2.55
1953		2.24	8.13	3.03

The Economic Survey of Asia and the Far East 1954 agrees with my 1954 figure, but would apparently show a rather lower figure for 1953, a rather higher one for 1949.

Li Fu-chun (N.C.N.A. 28.9.55) says that 1955 production will be 1.42 mt. and 94% above 1952—giving a 1955 figure of 3.5 mt.—3.8 mt.

CRUDE STEEL

Production	Year	Index 1952=100	Annual Rate of Increase %	Production m. met. tons
Pre 1949 Peak		(67)		.9
1949		12		158
1950		45	347	(.71)
1951		67	49	(.90)
1952		100	50	1.35
1953		131	31	(1.77)
1954		165	25	(2.22)*
1955 (Plan)		195	18	(2.62)
(Est.)		199		2.70
1956				
1957 (Plan)		(305)		4.12

* The Report on the First Five Year Plan states that steel capacity increased by 427,000 tons between 1952 and 1954, whereas annual production according to the above figures increased by 870,000 tons in the same period. The apparent difference is possibly due to better use of capacity.

Li Fu-chun (N.C.N.A. 28.9.55) estimates production in 1955 to be over 98% above 1952, but productive capacity to be 740,000 tons more. Again I believe the greater increase in production to be due to better use of existing capacity.

JAPAN'S TRADE WITH TAIWAN

The notes on new trade program for fiscal 1956 between Japan and Nationalist China, exchanged on May 29 in Taipei, call for a two-day trade totalling \$76,100,000. Negotiated since the end of February, the trade formula went into effect retroactively from April 1, this year. A new trade program is fixed each fiscal year (from April 1 to March 31) in accordance with the trade and payments arrangement signed on June 13, 1953. This arrangement is effective indefinitely, with each party given the right to abrogate it upon giving 90 day notice.

The principal export items listed in the new trade program are chemical fertilizers, (\$23 million), steel products (\$10 million), machinery (\$8,900,000), communications equipment for rolling stock and boats (\$3,500,000), textile products (\$3,000,000), rolling stock and parts (\$2,500,000), and miscellaneous items (\$2,500,000).

Leading import items are sugar (\$26 million), rice (\$23 million), bananas (\$4,500,000), salt (\$2,500,000), canned pineapples (\$2 million) and miscellaneous items (\$4,500,000).

The trade program for 1953 totalled \$74,500,000. It was the same in 1954, but the figure rose to \$94 million each way in 1955. The new goal decided on for the cur-

rent year, therefore, is \$17,900,000 lower than last year. Chief reasons for the decrease are the smaller amounts allocated for the import of sugar and for the export of steel, machinery and agricultural products.

The value of trade between Japan and Nationalist China has averaged about \$60 million since 1952 and accounts for three to four per cent of Japan's total trade. Only once during the past four years—in 1954—did exports exceed imports. It was especially marked last year when excess imports of \$17 million were recorded.

The following table shows figures on Japan's trade with Nationalist China since 1949:

Table I (Unit: U.S. \$1,000)

Year	Exports	Imports	Balance
1949	5,946	24,904	- 18,960
1950	36,602	35,810	792
1951	50,601	53,015	- 2,414
1952	60,578	63,720	- 3,151
1953	60,965	64,040	- 3,075
1954	65,927	57,084	8,841
1955	63,828	80,879	-17,051

Approximately 80 to 90 per cent of Japan's total exports are composed of chemical drugs (35%), half-processed raw materials (32%) and machinery (22%). Thus, these items constitute the bulk of exports to Nationalist China. Among exports of chemical products, the principal items are ammonium sulphate and superphosphate of lime. China's requirements of ammonium sulphate are especially large, but Japan does not have the capacity to export more. If Japan's export capacity increases, greater sales of this commodity can be anticipated. The export of half-processed raw materials registered a slight gain over last year. Exports of steel products were generally satisfactory, but tires, tubes and ceramics dipped sharply.

Machine products are being exported in large quantities as one of the chief export items, but they were down by roughly \$2 million compared with the previous year. Exports of automobile chassis and parts were smaller.

Export of foodstuffs has been showing a steady downward trend. Marine products and canned goods have fallen sharply owing to import restrictions imposed by Nationalist China. Exports of miscellaneous items, too, have been declining yearly.

The following table shows the items exported in the past three years and their value:

Table II (Unit: U.S. \$1,000)

Items / Year	1953	1954	1955
Foodstuffs	10,463	6,282	2,391
Raw materials	996	593	615
Mineral fuel	397	239	222
Animal fats	45	234	411
Chemical drugs	12,081	20,726	22,352
Half-processed raw materials	18,483	18,683	20,902
Machinery	13,472	15,919	15,272
Miscellaneous items	3,149	3,035	2,651
Total	60,965	65,716	65,211

On the other hand, foodstuffs accounted for \$75 million of the total of \$80 million worth of commodities imported, or approximately 93 per cent of all imports from Nationalist

Other estimates:—

Year	Rostow op cit	Colonial Geolog. Surveys	Financial Times	Economist
Pre 1949 Peak	.9		6.12.54	7.5.55
1949	.14	.13	.19	
1950	.55	.56	.75	
1951		.80	1.11	
1952	1.20	1.20	1.66	1.4
1953		1.47	2.17	
1954				2.2
1957 or 1959				5.5

These figures are fairly uniformly one-ninth less than mine, which are based on those given in the Report on the First Five Year Plan. Since these are consistent with indices given in other sources, my figures seem likely to be right.

The Economic Survey for Asia and the Far East 1954, however, gives figures for 1954 of 2.17 m. (table 34) or 2.2 m (p. 102).

FINISHED STEEL

Production

Year	Index 1952=100	Production m. met. tons
Pre 1949 Peak	60	.49*
1949	10.5	.08
1950		.30*
1951		.53
1952	100	.82
1953	123	1.00
1954	142	1.16
1955 (est.)	213	1.75
1956		
1957 (plan)		2.48†

These figures are very tentative since I have been able to trace few references. Those marked * are from Rostow op cit pp. 229, 239. 1951 has been obtained by applying percentage increase over 1950 production (78%) given by Chen Yun (New China Forges Ahead, Peking 1952) and Nan Han-chen (Prospects for the Development of Economic Relations...., Peking, April 1952).

† This figure is production at Anshan only.

(To be Continued)

JAPAN'S AIR SERVICE

In the five years it has been in operation as the "wings of new Japan," the Japan Air Lines (JAL) has won international recognition for speed, safety and comfort. Constant efforts are being made to improve the JAL service, and pilots, stewardesses and other personnel are undergoing continuous training while every effort is being made to advance aviation technique. Employing 16 passenger planes, JAL has spread its wings to San Francisco via Honolulu and to Hongkong via Okinawa, besides operating domestic lines to Sapporo in the north and to Fukuoka via Osaka. One cannot talk about Japan's postwar air transportation setup without mentioning JAL. Japan Air Lines' predecessor was a company of the same name established in 1951 with a capitalization of Y100,000,000 (approximately \$300,000). Japan at that time was still under Occupation and Japanese nationals were prohibited from engaging directly in the operation of aircraft. In other words, the former Japan Air Lines was authorized only to act as an agent for the foreign air line operating in Japan at that time, namely, the Northwest Airlines, which in October 1951 started regular air services to Japan for the first time after the end of the war. With the expiration of the contract with NWA in

1952, Japan Air Lines assumed full responsibility for independent operations.

The present Japan Air Lines was established in November 1953 under a specially enacted airline law. It was capitalized at Y2,000,000,000 (approximately \$5,556,000) with state and private funds on a 50-50 basis. The Government subsequently made additional capital investments of Y1,000,000,000 each in fiscal 1954 and 1955. The company thus possesses a capital of Y4,300,000,000 (approximately \$12,000,000), consisting of Y3,000,000,000 in state funds and Y1,300,000,000 in private funds as of the end of March 1956.

Japan Air Lines has a total of 16 planes in operation --eight FC-4s, five DC-6Bs, three Herons and one Beech D-18S. In or after 1959, it is scheduled to add four DC-7Cs and four DC-8s to its fleet, orders for which have already been placed.

The present operational schedule is as follows:

International Line:

Route	Number of Flights	One-way time (Hours)	Type of plane
Tokyo-Honolulu-San Francisco	4 per wk.	26:00	DC-6B
Tokyo-Okinawa-Hongkong	1 per wk.	6:50	"
Tokyo-Hongkong	2 per wk.	6:30	"

Domestic Line:

Tokyo-Sapporo	3 per day	3:00	DC-4
Tokyo-Osaka	3 per day	1:40	"
Tokyo-Osaka-Fukuoka	2 per day	3:25	"
Tokyo-Fukuoka	1 per day	3:15	"

China. Foodstuffs consist chiefly of sugar, rice, bananas and canned pineapples. Last year, Japan imported \$37 million worth of sugar, \$32 million worth of rice, \$3 million worth of bananas and \$800,000 worth of canned pineapples. These four items amounted to \$74 million. It was an increase of \$21 million over the previous year due mainly to larger rice imports.

The second largest import item consists of raw materials, chiefly salt. Japan imported \$1,700,000 worth of salt last year, approximately \$1,000,000 more than in 1954.

Presented below is a table showing imports of these five items during the past three years based on customs statistics. Rice, sugar and salt account for 16 per cent, 32 per cent and 8 per cent, respectively, of total imports from Nationalist China.

Table III

Items / Year	(Unit: U.S. \$1,000)		
	1953	1954	1955
Rice	12,733	9,306	32,266
Sugar	40,998	38,291	37,592
Bananas	3,347	4,631	3,789
Canned Pineapples	1,125	914	842
Salt	1,220	703	1,701

The following table shows the items imported during the past three years and their value:

Table IV

Items / Year	(Unit: U.S. \$1,000)		
	1953	1954	1955
Foodstuffs	58,273	54,094	75,391
Raw materials	2,514	2,351	4,310
Mineral fuel	2,693	0.06	325
Animal fats	1	0.2	3
Medical drugs	306	402	951
Half-processed raw materials	87	40	175
Machinery	34	106	36
Miscellaneous	5	10	6
Total	64,040	57,006	80,843

In October 1954, JAL's international route was extended from Hongkong to Bangkok. Preparations are being made to initiate the Tokyo-Osaka-Fukuoka-Okinawa service, connecting key cities between Tokyo and Okinawa in place of the present Tokyo-Okinawa direct flight.

Out of a total of 1,400 persons on the company's payroll, 240 are engaged in actual work on the plane. Pilots include 35 Americans and 57 Japanese with another 28 now under training. Part of the Japanese pilots underwent training at Oklahoma, U.S.A., while the majority were trained at Haneda Airport, Tokyo, by American instructors. They have all acquired the latest aviation technique. In view of the fact that almost all the Japanese pilots had pre-war flight experience exceeding 3,000 hours--about ten had more than 10,000 hours--they required comparatively little time in recovering their piloting technique. The ability of JAL's Japanese pilots are assessed on the same high level as of that of American and British pilots.

The work of stewardesses is extensive for they must play the roles of maids and nurses as well as attending other duties. Despite the fact that passengers entrust their lives to the pilot during a flight, they keep in touch with the stewardesses throughout the flight. Airline companies in all countries thus employ highly refined stewardesses, but the quality of the girls who look after JAL passengers is unsurpassed.

ECONOMIC DEVELOPMENTS IN THE PHILIPPINES

Acoje Mining Co. will buy a half million dollar's worth of oil drilling equipment for use on the company's million-acre concession on the island of Cebu. Drilling there is expected to start within two or three months. It is planned to conclude a new barter agreement with U.S. consumers or the U.S. government for its chrome concentrates. A previous barter contract under which the company has been exporting its chrome terminated.

Baguio Gold Mining Co. announces that during May it milled 12,937 tons of ore for a recovery of 2,774.89 ounces of gold worth P293,266 at current market prices. April production was 11,403 tons of ore milled for a recovery of 2,555 ounces of gold valued at P279,918.

Discovery of a rich iron ore deposit in the Balankot-Dansolijon area in the Lumbia district in northern Mindanao has been reported.

Ralph A. Hart, president of Colgate-Palmolive International, revealed that the organization's plant facilities at Makati, Rizal, are being expanded at a cost of P1,500,000. He said the expansion will open up new job opportunities and increased distribution of the company's products in the Philippines.

William R. Herod, president of International General Electric, said that his company is planning to establish an electrical appliance factory in Manila. He concluded negotiations with a local firm headed for construction of the plant.

The International Harvester Co. of the Philippines sold the plant and facilities of its refrigeration division to Del Rosario Bros., Inc. The transaction was in accord with International Harvester policy of encouraging increasing Filipino participation in the country's industry.

Roxas-Kalaw Textile Mills announces current expansion activities will soon boost the company's annual production to 10,000,000 yards. Additional American-made machinery and equipment is on the way for the plant at Polo, Bulacan, which has been enlarged to accommodate it. The factory, backed by joint Filipino-American capitalization, began producing synthetic textile fibers last November at an annual rate of 3,000,000 yards. Its president and general manager is Isaac Sherman, who is also president of the Madison Silk Co. of New York.

A new P4,000,000 tobacco redrying plant, erected by the Farmers Co-operative Marketing Associations at Agoo in west-central Luzon, was inaugurated by Pres. Magsaysay. The super-redryers in the plant are reported to be the only pair in the world outside of two now operating in the U.S. The plant has a capacity of 89,000 pounds of tobacco per day, working a single 8-hour shift.

Gumao Goldfields reports that extensive pit samplings and exploration of its iron-nickel properties on Homonhon Island, covering more than 236 claims, is being started by a joint crew of Filipino and American geologists, mining engineers and surveyors. The exploration program is included in a contract concluded with an affiliate of the Utah Construction Co., one of several American firms interested

in bidding for the development of the government's ferro-nickel reservation in Surigao.

San Miguel Brewery declared the following dividends, payable July 25 to stockholders. On the 8% preferred, P2.00; on the 7% preferred, P1.75; on the common shares, P0.80.

Atlas Consolidated Mining and Development Corporation, outstanding Philippine copper producer, has declared its first dividend—20% on the par value of its outstanding shares—just fourteen months after the start of operations at its Toledo mine on the island of Cebu, Philippines. Atlas Consolidated realized a net profit of approximately 3,400,000 pesos for the four-month period ended April 30, 1956.

Lepanto Consolidated Mining Co. during the month of May produced 5,178 tons of concentrates estimated to contain 2,312,490 pounds of copper and 4,366 ounces of gold. Ore treated during the month totalled 39,454 tons, with an average copper content of 3.07% and an average gold content of 0.131 ounce per ton. Concentrates averaged 22.33% copper and 0.843 ounce of gold per ton.

A deal for the shipment of \$30,000,000 worth of U.S. commodities to the Philippines will be concluded in the near future. Negotiations for the commodities—which will include rice, flour, milk, butter and cheese—have been going on for several months. The U.S. Government will send the commodities as a loan to the Philippines, with the understanding that the proceeds from their sale will be used for the country's economic development. Payment will be made over a period of years. The American representatives in the negotiations were reported to have asked that the deal include \$15,000,000 worth of Virginia leaf tobacco, but the Philippine government turned this down on the grounds that it would prejudice the local tobacco growing industry.

The 50% interest of the Spreckles sugar company of California in the Pampanga Sugar Mills is being sold to a group of Filipinos organized as the Philippine Planters Investment Co., Inc., headed by Eugenio Lopez, Manila publisher and president of the Binalbagan-Isabela Sugar Co. This will place all the stock of the fourth-largest sugar company in the Philippines entirely in Filipino hands. It will end 36 years of active operations in the Philippines by the Spreckles interests. Pampanga Sugar Mills employs around 1,200 workers. Its facilities include a raw sugar mill with a capacity of 5,000 tons a day and 70 miles of railroad.

Samar Mining Co., through the managing firm of Elizalde and Co., reports that Japanese geologists and company mining experts have surveyed the company's new mine in the Sibuguey area of Zamboanga and have found that it lies in an area that contains "one of the largest iron deposits in the Orient." The resident geologist at the Sibuguey mine has continued prospecting and has staked a large number of additional claims. Estimates are that the Sibuguey properties contain enough iron ore to last 20 to 30 years, even if production is carried out at three times the rate in effect at Samar's Camecuvas mine.

ECONOMIC LETTER FROM MANILA

The Philippine peso is one of only five of the world's leading currencies which rose in purchasing power over the past ten years, according to a survey by Pick's World Currency Report. The report, based upon a review of 60 different currencies, notes that the purchasing power of the Philippine peso during the period rose by 12%. The other currencies which registered a gain in buying power were the Soviet ruble, about 57%; the Iraqi dinar, 29%; the Panamanian dollar, 5%; and the Cuban peso, 4%.

Juan Trippe, president of Pan American World Airways, names the Philippines and Japan as two of the countries having the greatest potential for an increase in American tourism. He told an annual meeting of company stockholders that a principal impediment to such an increase is the shortage of hotel accommodations in the area at the present time. He said that this year 136,400 Americans are expected to travel abroad by sea and air, an increase of 15% over last year and a new post war record.

The Goodyear Tire and Rubber Co. on June 9 produced the first Philippine-made Goodyear tire at the company's new multi-million peso plant in Las Pinas, Rizal. Official inauguration of the plant is scheduled for an early date, and full scale operations will begin during the latter part of this year. Goodyear will manufacture a complete line of tires and tubes in this factory, as well as recapping materials and Neolite and rubber shoe soles and heels. Those who witnessed the first tire being taken from the mold were impressed with the skill and craftsmanship of the Filipino workers trained by Goodyear specialists.

The Industrial Development Center, a joint project of the Philippine and United States governments, created 4,942 new jobs in Philippine industry during the second half year of its existence—August, 1955, to February, 1956. The number of new jobs created as the result of I.D.C. loans, grants and other activities was 29% higher than during the first half year of the organization's existence, when the number of new jobs totalled 3,738. There is now a brighter outlook for employment in the Philippines as a result of increased manufacturing activity. The Central Bank's index for industrial production has been rising—from 168.7 in 1953 to 189.6 in 1954 and 210.4 last year. However, optimism must be cautious because only 76.6% of the total labor force of the country was gainfully employed last year. A 100% rise in the manufacturing index from 1949 to 1955 has for its parallel in employment an increase of only 16% during the same period. While 1955 registered a gain of 11% over 1954 in manufacturing output, the corresponding growth in employment was only 0.5%.

According to preliminary statistics gathered and compiled by the Central Bank, the national income has risen to P7,800,000,000 as of last year an increase of more than 20% since 1950. In 1949 the national income was reported at P5,600,000,000 and in 1950 it was P6,100,000,000 and in 1950 it was P6,100,000,000. The figures indicate that more than 40% of the national income is derived from agricultural industries. Agricultural income amounted to

around P2,000,000,000 in 1949, and last year reached the level of P3,300,000,000. Manufacturing industries contributed income of P656,000,000 in 1949, but by the end of last year had almost doubled this figure for a total of P1,140,000,000. Trade contributed P709,000,000 in national income in 1949, P861,000,000 last year.

Fresh mangoes, labelled "Product of the Philippines," are now being shipped in quantity to Hongkong by the Pan Asian Mercantile Co. The firm announces that exports of the fruit in May exceeded the total exportation of mangoes by the Philippines during the entire year of 1955.

The Standard Parts Manufacturing Co. of Makati, Rizal, will begin manufacturing radiators for six-by-six trucks by the end of this month. The company, which operates the only radiator factory in the Philippines, is already manufacturing radiators for jeeps and will shortly begin production of cooling units for other standard cars and trucks.

The Industrial Development Center announced the release of an additional \$17,600,000 in dollar aid for domestic manufacturers. This dollar assistance from the I.D.C.—which is jointly backed by the Philippine and U.S. governments—is available to local industrialists on a straight cash basis to pay for their imports of machinery and other essential capital goods. I.D.C. dollar aid, in conjunction with a peso assistance program for local expenditures, forms an important part of the industrial promotion activities of the center, which also includes engineering and technical assistance, cost control guidance, training, marketing and raw material surveys, etc.

The Bank of Tokyo and the Elizalde interests have concluded final arrangements for setting up a new bank to be called the Bank of Manila. To be established shortly after the resumption of diplomatic relations between Japan and the Philippines, the bank will be capitalized at P4,000,000 with a 60% interest controlled by Filipinos, 30% by the Japanese bank, and 10% by other parties.

A recent ruling of the Central Bank freezing interest rates on savings deposits at 2% will not apply to savings in rural banks.

Philippine Air Lines has begun a new thrice-weekly service by Otter planes between Davao city and Mati in eastern Davao province. The Manila Railroad Co. introduce first-class buses with reclining seats on its Manila-Cagayan Valley Line.

Palawan Quicksilver Mines, managed by Marsman and Co., during the month of May processed 2,322 tons of cinabar ore for a recovery of 15,647 pounds of mercury, or 205 76-pound flasks, for an estimated value of P109,000. Surigao Consolidated Mining Co. reports its May production has 4,173 ounces of gold, 3,420 ounces of silver, and 363,342 pounds of lead concentrates for a total monthly production value of P535,874.

ECONOMIC SURVEY OF THE PHILIPPINES

(Compiled by the United Nations ECAFE Secretariat)

PART I

The economy of the Philippines, influenced to a considerable extent since the second world war by the special economic relationship with the United States laid down in the Bell Trade Act of 1946, is due to undergo a gradual but fundamental change as a result of the revision of that Act in mid-1955. While United States citizens still have equal rights in the Philippines, as before, in the exploitation and development of resources and in the undertaking of other business (Philippine citizens are to be reciprocally granted the same rights in the United States), the free-trade arrangement between the two countries is to be gradually eliminated. The gradually increasing tariff on US imports is expected to have a far-reaching effect on various aspects of the economy: government revenue, the pattern of trade, foreign and domestic investment in local industries and other matters.

During 1954 and the first half of 1955, while production continued to expand, a further deterioration in the terms of trade and a relaxation in import and exchange control brought about a marked fall in international reserves, with a deflationary effect on the economy. The deflationary trend appeared to be somewhat checked and international reserves increased slightly during the third quarter of 1955. The Central Bank is pursuing a more liberal credit policy with a view to encouraging private financing for economic development. Tax exemptions and liberal exchange allocations for raw materials and capital-goods imports have continued to provide incentives for private enterprise. Gross capital formation, which accounted for 8.4 per cent of gross national product in 1954, was slightly higher than in 1953, but capital formation in the public sector remained at the same level. The National Economic Council, the planning machinery of the government, is being revitalized, with a view to speeding up the reformulation and implementation of development programmes.

PRODUCTION

The gross national product at current price in 1954 stood at P8,454 million as against P8,229 million in 1953, representing a rise of 2.7 per cent. Deflated by the index of consumer prices, the gross national product at constant prices rose by 4.3 per cent during the same period. The combined index of the physical volume of production from agriculture, mining and manufacturing, representing approximately three-fifths of the gross national product, increased by 11.1 per cent in 1954 over 1953. During the first half of 1955, the index of manufacturing production was 7.5 per cent higher than in the first half of 1954.

Agricultural production

Agricultural output continued to increase in the crop year 1954/55. The preliminary index of the physical volume of agricultural production, which includes agricultural crops, livestock, forestry and fishing, rose from 118 in 1953/54 to 122 in 1954/55 (1952=100), partly owing to various measures instituted by the government, including larger volume of agricultural credit on easy terms, completion of many irrigation and flood-control projects, dissemination of farming and livestock information, eradica-

tion of rats and other pests, and above all gradual restoration of peace and order in rural areas.

The production of food crops, with the exception of paddy, maize and Irish potatoes, showed a moderate increase in 1954/55 over the previous crop year. Owing to floods or typhoons in some provinces and drought in others, both paddy and maize production declined. The output of paddy was estimated at 3,105,000 tons in 1954/55 as compared with 3,182,000 tons in 1953/54. As domestic rice production was insufficient for domestic consumption and normal stockpiling, the government in July 1955 authorized the importation of 150,000 tons of rice. As of 6 September, 44,650 tons had been delivered. On the other hand, the output of other food crops, including beans and peas, peanuts, other root crops, fruits and vegetables, etc., rose.

Among export crops, tobacco production increased under government price support given to the production of Virginia leaf tobacco. The prospect of further increase in ramie production is good, owing to greater efficiency and increased technical knowledge in the processing of the fibre, and the government policy of substituting domestic products for imports. Abaca production has continued its downward trend of recent years but, with the establishment of the Abaca Corporation and the implementation of the abaca mosaic control programme under US aid, production is expected to pick up within a reasonable time. The ban on the export of immature nuts, introduced in April 1955, has resulted in a substantial rise in copra output. In June 1955, the Agricultural Credit and Co-operative Financing Administration (ACCFA) and the Philippine Coconut Administration announced plans to finance production and marketing of copra and other coconut products through co-operatives, and the President authorized the allocation of P20 million from the proceeds of bond sales to establish provincial centrals (mills).

It is reported that sugar production in 1955 amounted to 1.24 million tons, a decline of about 4 per cent from the previous year, attributed to poor weather in some planting areas and poor export prospects.

Construction

Figures for 1955 on public works expenditures for highways, bridges, ports and harbours and flood-control structures are not yet available. The value of new private construction activity, as measured in Manila and suburbs and 27 chartered cities, declined in 1954 by 14 per cent from 1953. Both residential and non-residential construction decreased, despite lower construction costs in materials and wages. In the first half of 1955 building construction permit valuation in Manila maintained the level of the corresponding period in 1954. The Rehabilitation Finance Corporation suspended construction loans in the latter part of 1954.

Power

Power output of the Manila Electric Company continued to rise as a result of constantly increasing demand and expanded capacity. In 1954 electricity generated, at 700 million kWh, was 12 per cent above the 1953 level and 3 times the 1941 output. During the first half of 1955 it reached 375 million kWh, or 11 per cent more than in the

corresponding period in 1954. In anticipation of greater industrial needs, Unit No. 4 of the Rockwell station, with a capacity of 32,000 kW, is under construction. Outside Manila, the National Power Corporation's Maria Cristina hydro-electric scheme (second unit) in Mindanao and the Ambuklao hydro-electric scheme in Luzon are scheduled to be completed in 1956.

Manufacturing

Manufacturing output continued to expand in 1954 and the first half of 1955. The index of physical volume of manufacturing production, taking 1952 as a base, rose to 127 in 1954 and 134 in the first half of 1955. The demand for local manufactures is increasing, partly as a result of the restrictions on the importation of competing goods. The increased availability of capital goods and raw materials, made possible by the liberal exchange-allocation policy of the Central Bank's Monetary Board, contributed substantially to the expansion in the productive capacity of local manufacturing industries. The ten-year tax-exemption privilege granted to new and necessary industries also stimulated local and foreign investment in those industries.

There were substantial increases in leather products, footwear and wearing apparel, rubber products, tobacco products and chemicals during 1954 and the first half of 1955. A marked increase in the importation of hides and skins and live animals augmented the availability of raw materials for leather processing. The continuing restriction on imports of cigarettes provided a market for the increased production achieved by local tobacco manufacturers. Output of manufactured food products in general increased only moderately, with substantial progress however in meat preparations and in the establishment of new dairy plants. Notable decreases in output were recorded for textiles, beverages and paper products (in the first half of 1955). The production of textiles has continued to decline since 1952; in the first half of 1955 it was 10 per cent below the first half of 1954, owing to keen competition from imports. Both domestic and imported textiles registered price cuts, along with falls in gross sales of spinning and weaving mills. The government is considering whether further restrictions should be imposed on textile imports.

In 1954 and the first half of 1955, production of durable manufactures rose faster than that of non-durable manufactures. The growing popularity of locally-made electrical appliances boosted their production. Output of metal products continued to increase.

With the growth of a favourable investment climate and in view of the progressively rising tariff under the revised Bell Trade Act, several United States manufacturers have begun to set up plants and factories in the Philippines. These include an oil-refining plant (by Caltex), pharmaceutical products, cosmetics and toilet-articles factories, refrigerator assembly plants, motor-car assembly plants, etc. A new type and inner-tube factory, to be built by the Goodrich Rubber Company of Manila, is expected to meet about half the country's needs and utilize as much, as possible Philippine rubber.

Among the government projects recently announced are a pig-iron plant to be set up by the National Shipyards and Steel Corporation, for which P45 million has been appropriated, and a P10 million ramie textile mill which it is hoped will produce goods at half the price of cotton textiles.

Mining

Despite the subsidy, gold production in 1954 (416,052 fine ounces) decreased by 13 per cent from the previous year and maintained in the first five months of 1955 the same level as during the corresponding period of 1954. The free market price weakened; in May 1955 it was P95 per

ounce—the lowest since December 1949. While the Gold Subsidy Board is considering possible lines of action upon expiration of the subsidy in June 1956, some mining firms are contemplating switching over to base-metal production.

Production of chromite and manganese decreased substantially during 1954 and the first five months of 1955. Both higher costs and a weakening market accounted for this decline. Iron-ore production at 1.42 million tons in 1954 was 17 per cent above the 1953 figure, and for the first time in post-war years surpassed the pre-war record output. This high level of production was maintained during the first five months of 1955. The expansion of the Philippine Iron Mines is expected to raise the output further in due course. Copper production also increased during the same period. One new venture, Atlas Consolidated Mining, has recently started an open-pit copper mine with a daily output of 4,000 tons of copper ore, with reserves estimated to last for 100 years.

TRADE AND PAYMENTS

The balance of payments of the Philippines deteriorated in 1954 (especially in the second half) and in the first half of 1955. International reserves of the Central Bank and other banks decreased from \$307 million at the end of 1953 at \$282 million at the end of 1954 and further to \$258 million at the end of June 1955—a level lower than that in early December 1949 when exchange control was instituted. The reserve of the Central Bank fell sharply from \$246 million at the end of June 1954 to \$188 million at the end of April 1955, but recovered to \$198 million at the end of August and stood at \$192 million at the end of September 1955, on account of the tightening of import control in August.

The deficit on "goods and services account" rose from a little more than P100 million in 1952 and 1953 to P162 million in 1954, owing largely to a decrease in United States Government expenditures in the Philippines; on merchandise account alone, the deficit remained almost at the same level as in 1953. Meanwhile, owing to the settlement of a large amount of official long-term obligations, the outflow of long-term capital increased substantially. In the first half of 1955, the deficit on "goods and services account" amounted to P72 million, which was more than double that in the first half of 1954, this time because of an increase in the deficit on merchandise account to P153 million. The considerable increase in the trade deficit during the first half of 1955 was due mainly to the Central Bank's relaxation of exchange and import controls. US grants and credits increased slightly from \$8.1 million in the first half of 1954 to \$9.8 million in the corresponding period of 1955. The Central Bank had to purchase \$10 million from the International Monetary Fund to meet the balance-of-payments deficit.

The balance-of-payments position in 1954 and in the first half of 1955 would have been less unfavourable had not the terms of trade deteriorated further. While the quantum of exports increased, along with the general increase in production, by 16 per cent in 1954 over 1953 and further by 15 per cent in the first half of 1955 over the corresponding period of 1954, the terms of trade worsened by 7 and 9 per cent respectively in the corresponding periods. This greatly impeded the country's ability to pay for imports and other requirements.

The chronic deterioration in the terms of trade is a serious problem for the Philippines. In fact, the terms of trade have never recovered the level reached in 1948, owing chiefly to the low level of export prices. Looking ahead, the prospects of the world market for major Philippine

exports remain generally gloomy. From a long-term point of view, a diversification in the production and export pattern probably would be the most desirable solution.

Export of principal commodities

The following five groups accounted for 92.5 per cent of the Philippines' total export in 1954: coconut and coconut preparations (40.5 per cent), sugar and related products (27.2 per cent), logs, lumber and timber (8.8 per cent), minerals and metals (8.8 per cent), and fibres and manufactures (7.2 per cent). Copra accounted for almost one-third of the total export receipts in 1954. The price of copra suffered a heavy set-back in 1954—a 13 per cent drop from 1953. However, a one-fourth increase in the quantum of export more than offset the decline in prices and made possible an appreciable increase in export earnings. The decline in copra production in major export-competing countries, namely Ceylon and Indonesia, and the improved dollar position of consuming countries in western Europe helped the Philippines to extend its market in western Europe, especially in the Netherlands. During 1954, about 46 per cent of all Philippine copra exports went to north-western Europe, of which more than one-half was absorbed by the Netherlands. During the first half of 1955, copra exports amounted to 346,187 tons, or 5 per cent over the first half of 1954. Prices remained low. The biggest problem, however, is still the increased competition from synthetic detergents in the United States market. The latter absorbed during 1951-54 nearly one-half of the total copra exports from the Philippines.

Along with an increase in production, sugar exports also increased in 1954, totalling 869,000 tons, or 12 per cent more than in 1953. The total value of sugar exports also increased proportionally as the average export price of Philippine sugar remained nearly at the same level. For the first time since the second world war, Philippine sugar exports met in full the quota for the United States market and for domestic consumption, in addition to a reserve required by statute for carrying-over. The quota of 22,500 tons, initially established under the International Sugar Agreement, was nearly fulfilled; the small shortage was due not to insufficient supply, but to obstacles in trading. Sugar export of 840,000 tons during the first half of 1955 was slightly higher than in the corresponding period in 1954; the average export price was, however, lower. In spite of a drop in the sugar crop in 1955, marketing remains the major problem. With the revised trade agreement between the United States and the Philippines now approved, Philippine sugar will have to start paying duty in the United States market as from 1 January 1956, although initially this duty will be applied to only 5 per cent of the quota. Request for a higher US quota, which could be negotiated under the revised trade agreement, is, however, unlikely to succeed, as American farmers are pressing for an increase in their own shares of the domestic market. The outlook in the world's free sugar market is also uncertain. The Philippines is increasingly looking for an outlet in the world's free market where, however, in July-August 1955 prices dropped below the minimum 3.25 US cents per lb under the International Sugar Agreement as compared with about 5.50 cents the Philippines could obtain from the US market. Recently, the International Sugar Council has allocated to the Philippines an additional quota of 20,000 tons for barter trade with rice. But even with this, the total free-market quota is expected to be substantially below the exportable surplus expected for 1955.

Both the further decline in domestic production and the sharp fall in world price of hard fibres accounted for a decline in export earnings from abaca by nearly one-third in 1954. Export value of unmanufactured abaca thus fell

from its usual third place (following sugar and copra) to fourth place, below logs, lumber and timber. During the first half of 1955, the export quantum of abaca was 16 per cent higher than in the corresponding period of 1954 but, owing to further decline in export price, export value was more than 6 per cent less. Market prospects have improved recently, especially because of increasing activity in Japan's ship-building industry which tends to raise the demand for hard fibres.

Imports and import policy

Owing mainly to liberalization of exchange allocation and more liberal bank credit accommodation for industrial and commercial purposes since the second half of 1953, imports increased substantially in 1954 when the total value reached a post-control record of P965 million, or 6 per cent more than in 1953. As the unit value of imports declined, the quantum of imports increased even more sharply, by 21 per cent. During the first half of 1955, the total value of imports, which amounted to P572 million, was 20 per cent higher and the quantum of imports was 25 per cent higher than in the corresponding period in 1954; the unit value of imports fell further.

The relaxation of exchange and import controls aimed primarily at enabling producers to import as fully as possible their requirements of capital goods and raw materials. As a result, the increase of imports in 1954 was concentrated on capital goods and raw materials, and the import value of consumer goods was maintained at the previous year's level. Capital-goods imports accounted for 19 per cent and raw-materials imports for 56 per cent of the total import value. In late 1954 import control on essential consumer goods was also liberalized. During the first four months of 1955 both the absolute value and the relative proportion of capital-goods imports were appreciably lower, and those of raw-materials and consumer-goods imports higher, than in the corresponding period in 1954.

Changes in the direction of trade

A noticeable change in the direction of Philippine trade occurred in 1954 when the share of the United States in the total value of Philippine imports and exports decreased significantly and those of north-western Europe, Japan and other areas increased. The United States, while continuing to be the major trading partner of the Philippines, had its share in the total value of exports reduced appreciably from 68 per cent in 1953 to 60 per cent in 1954, and its share in the total value of imports from 77 per cent in 1953 to 68 per cent in 1954. The absolute value of Philippine exports to the United States also fell in 1954, as the mild recessionary tendencies in the United States late in 1953 and early in 1954 reduced the demand for foreign goods. On the other hand, the value of imports from north-western Europe almost doubled in 1954 and that of exports increased by nearly one-half. The increase in trade was particularly large with the Netherlands, West Germany and France. The industrial boom and the improved dollar position in most north-western European countries contributed to the increase of Philippine exports to that region. As a result of all these changes, the import surplus with the United States increased and so also the export surplus with north-western Europe.

During the first half of 1955, while the share of imports from the United States remained practically unchanged, that of exports to the United States almost recovered its 1953 position. Trade with north-western Europe remained at a high level.

(To be Continued)

ECONOMIC SURVEY OF THAILAND

(Compiled by the United Nations ECAFE Secretariat)

PART I

Of Thailand's total land area of 51.2 million hectares, forests occupy 29.9 million hectares while cultivated area accounts for 9.39 million. Area under rice is reported as constituting about 64 per cent of the total cultivated area. Over 50 per cent of the national income is derived from agriculture, forestry, fishery and livestock. As the country has been mainly dependent upon rice which accounts for 45-50 per cent of Thailand's total export earnings, a fall in rice exports such as was experienced in 1953-54 greatly affects the economic situation of the country. The need for a diversification of the economy had been felt for some time, but only since the fall in world demand for rice and since the shortage of foreign exchange became more evident in 1953 has there been a strong move toward the encouragement of other export crops, and toward promotion of selected industries, to help alleviate the shortage of foreign exchange. The government has also directed its import-restriction policy toward protection of home industries. Industrial expansion, however, remains hampered by lack of capital, enterprise, managerial and technical skill and cheap fuel. Locally manufactured goods will not have an assured domestic market until they can compete in cost and quality with imported goods of similar type.

DEVELOPMENT PROGRAMME AND PROGRESS

Although there is no over-all economic development programme in Thailand, there has lately been a linking of economic planning with budgeting of government investment expenditure for the purpose of making the best use of the limited financial and other resources available. This has become necessary with the fall in earnings from rice exports and the subsequent decline in government revenue, which coincided with demand for other government outlay, especially on defence. In 1953, the Economic Planning Committee, a subsidiary agency of the National Economic Council, was given the task of screening requests of various ministries for long-term investment appropriations before presentation to the Budget Committee. The committee's work has been advisory although most of its recommendations have been accepted and implemented. In the present economic situation the committee has given priority to quick-yielding projects and to those which are likely to help increase export earnings, and has recommended postponement of less urgent projects. In the meantime, strong efforts have been made both by the government and by private interests to secure foreign capital to supplement the funds required for high-priority investment programmes in mining and industry, and for basic facilities such as transport, irrigation and power.

Mining and industrial projects

For mining tin under the sea between Phuket island and the mainland, a company, called Aokam Tin Ltd., a joint British-Thai concern with a capital of M\$7 million, was registered in Malaya. The Thai Government has purchased 45 per cent of the shares, and has offered 12 per cent of the total share issue for resale to the Thai public. A joint Thai-Japanese company has also started mining tin ore in Nasarn, Suratthani, in southern Thailand.

A mission, headed by the Minister of Industry, recently visited the United States and Europe to invite foreign capital investments in industrial projects. As far as the development of iron and steel industry in the country is concerned, a German firm is reported to have shown interest in undertaking the survey work and joint investment, and matters are now being negotiated.

On 21 October 1955 the Government issued a notification under the Industrial Promotion Act of 1954 outlining its policy on foreign investment in industries. It stated that investments in industries, whether Thai or foreign, can be made freely in any concern wholly Thai or jointly owned with foreign interests. The Government will not interfere in the normal operation of an industrial enterprise and will not give special privilege to any person or government organisation which is engaged in a similar business. The business activities listed as reserved for the state include only production of armaments (including explosives but excluding production of fire-works), cigarette production, railways, ports, and civil aviation within the country. The industries for which prior government approval for operation must be obtained are production of spirits, beer brewing, public utilities (passenger transport, electricity, water supply, telegraph and telephone), mining and quarrying, forestry, banking, and insurance.

The Government also stated that it would not nationalise any industry. The industries which it will promote under the provisions of the Industrial Promotion Act are metal, sugar, and gunny bag manufacture of the sizes and under conditions as specified in the Royal Decree announced under the Industrial Promotion Act on 21 June 1955. By promotion here is meant aid which the Government may give to these industries in the form of reduction of or exemption from import duties, on capital equipment required by the industry in its initial operation or expansion; exemption or reduction of income tax within a specified period; exemption or reduction of import duty on raw materials which have to come from abroad; exemption or reduction of export duty within a limited time when the products are exported, protection from foreign competition, facilities in remitting foreign exchange abroad in respect of capital repatriation or profits; immigration facilities for technicians or experts required.

When any particular industry wishes to request help from the Government under the provisions of this Act it must produce a satisfactory project to the Industrial Promotion Committee, assuring the latter that the industry is capable of producing articles competitive in quality and price with similar foreign products within the period of time which may be fixed by the Industrial Promotion Committee.

Power, irrigation and transport projects

Present installed electricity generating capacity in Bangkok and Dhonburi is approximately 67,900 kW, but the demand for power in this area considerably exceeds the effective capacity of the six power stations installed, as well as the capacity of the distribution system. The government is considering the installation of 10,000 kW generating capacity in a diesel generating plant and 30,000 kW in a

new steam station at Nakorn Chaisri, though lack of finance appears to be holding up this scheme as well as the scheme for expanding the transmission capacity, substation capacity and distribution system.

The Yanhee hydro-electric project, the largest power project in Thailand, which originally aimed at a capacity of 360,000 kW, is now expected to develop 560,000 kW (8 sets of 70,000 kW each) to supply not only the central provinces but also some provinces in the north-east. Initially 2 sets of 70,000 kW are to be installed at a cost of approximately US\$58 million plus 400 million baht. Experts from the US Bureau of Reclamation have already rendered help in the preliminary survey work, and foreign capital is being sought for financing the project.

Electricity supply was extended to 10 more towns in 1954. The Provincial Electrification Organization, an official body, has been able to secure British private capital for buying generators and equipment for the supplementing of existing and development of new generating-capacity in several rural areas. Meanwhile, the Lignite Thermal Power Project at Lampang in northern Thailand, which is planned to have a firm capacity of 15,000 kW, has been postponed by the government.

The Greater Chao Phya Project, about 160 kilometres north of Bangkok, which was partly financed by a \$18 million loan from the International Bank for Reconstruction and Development and which will provide irrigation for 940,000 hectares of land in the central plan, is expected to be completed in 1959. Excavation work at the site of the barrage was completed in 1954 and the barrage itself is expected to be completed by the end of 1955. The Chao Phya river will be closed by mid-1956, and the barrage will be in operation by the end of that year. Gates at some of the headworks are still to be installed. Good progress has also been made on the construction of the network of irrigation canals.

The tank irrigation project in north-eastern Thailand, started in 1951, is progressing satisfactorily. By the middle of 1955, 79 such tanks had already been completed and 20 others were under construction. The combined total storage capacity of these 99 projects is over 159 million litres. Eighty-six of the projects have a combined usable capacity for irrigation in excess of 154 million litres, and will benefit 36,200 hectares of irrigable land. The remaining 13 projects are for supply of drinking water only and have a storage capacity of 5 million litres.

In August 1955 the International Bank for Reconstruction and Development made a 15-year loan of \$12 million (in various currencies) to the State Railway of Thailand, bearing interest of 4½ per cent per annum including the statutory commission charge of one per cent. The loan is to finance part of the \$68 million five-year investment programme designed to rehabilitate the physical properties, to improve the efficiency of the State Railway and enable it to handle increasing traffic. The loan is guaranteed by the Government of Thailand. The Bank of America is participating in the loan, without the International Bank's guarantee, to the extent of \$1,105,000.

The first loan of \$3 million made by the International Bank to the government for the State Railway of Thailand in 1950 was for the purchase of urgently needed spare parts, workshop and signalling equipment, for which disbursements and work have been completed.

The closing date for disbursements under the International Bank loan of \$4.4 million for the development of the Port of Bangkok has been postponed from the end of 1954 to the end of 1955. The maintenance, dredging and deepening of the bar across the Chao Phya is proceeding and

much larger vessels have been coming up to Bangkok since January 1954, while the installation of equipment for the improvement of port facilities is almost complete.

The United States Government, through the International Co-operation Administration (ICA), is making available funds for the construction of 200 kilometres of highways in the north-eastern part of Thailand. Work on three bridges across the Chao Phya river has already begun.

The railway line from Udorn to Nongkai on the Mekong river, constructed with US aid, was ready for operation in September 1955.

PRODUCTION

Agriculture, forestry and fishery

In 1954 the area under paddy cultivation was 5.56 million hectares compared with 6.17 million hectares in 1953. The actual area harvested was only 4.52 million hectares compared with 5.93 million hectares in the previous year, owing to the short rainy season and the resulting drought. Paddy production in 1954/55 was estimated at 5.7 million tons, or 30 per cent less than the preceding year's. The average yield per hectare continued on the downward trend of the last 50 years. To improve the yield the government is undertaking a rice seed improvement programme which involves experimentation and research on seed selection and cross-breeding, and introducing the use of artificial fertilizers.

From the current year's supply and the carry-over from the previous year an exportable surplus of only 1.3 million tons is expected. Thailand, having since 1954 lost to Burma its temporarily-held position as the leading rice exporter of the region, will continue in second place in 1955.

The area under rubber has not varied much in the past five years. Production reached 119,574 tons in 1954 and is expected to be around 130,000 tons in 1955.

In 1955 the government set up a pilot plant at Koh Hong, Songkhla, in southern Thailand, mainly for the purpose of instructing rubber planters in modern scientific methods of making rubber smoked sheets and processing latex. The plant has a production capacity of 1,000 kg of smoked sheets and 100 litres of latex per day.

In contrast to rice, the production of other crops except cotton (which showed a decline in 1954) has been on the rising trend.

The production of teak, the most important export timber, reached 408,002 square metres in 1954. The concession granted to foreign teak lessees expire this year and it has not yet been decided whether they will be extended or what form the concessions will take. Production of yang (*dipterocarpus alatus*), the next most important timber, also increased from 258,682 square metres in 1953 to 291,035 square metres in 1954.

Fresh- and sea-water fish landed at the Bangkok wholesale fish market amounted to 43,855 tons in 1954 and 14,901 tons during the first half of 1955. Originally only sea-water fish were landed here; but since November 1954 traders of fresh-water fish have also been required to use the landing facilities of this market. Canals, ponds, swamps, paddy fields and irrigation tanks provide good breeding ground for fresh-water fish. It is estimated that out of 577,500 hectares of such area, only 56,610 hectares have been stocked with fish.

Mining

In 1954, production of tin-in-concentrates totalled 9,932 tons, 357 tons less than in 1953, while production in the first nine months of 1955 amounted to 8,105 tons. Nine

mines closed down in 1954, while the number of mineral washing licensees also declined. This was mainly the result of the low prices prevailing in 1953, and although prices were firmer in 1954 miners did not think it sufficiently profitably to expand production. It is too early at this stage to gauge the effect on tin production of the recent abolition of the obligation to surrender exchange from tin export and the raising of the royalty rate on 14 August 1955.

Tungsten production declined from 1,621 tons in 1953 to 1,104 tons in 1954. Production of the government-owned mines in Pilok, Kanchanaburi was disrupted mainly by poor rainfall and the consequent inadequate water supply as well as by shortage of labour. Tungsten production in the first nine months of 1955 was 798 tons. Lead production, on the other hand, increased from 7,960 tons in 1953 to 11,662 tons in 1954. For the first nine months of 1955 lead output was 11,612 tons.

Lignite mining at Me Moh, Lampang in northern Thailand started in 1955, and by the end of May 4,000 tons had been mined. Production is estimated to reach 25,000 tons in 1955 and the target of 200,000 tons by 1958.

Industry

Production of cement has risen steadily in view of the ever-increasing demand of the building boom in both the private and the public sectors. The Siam Cement Company Limited put out 383,300 tons in 1954 and 320,768 tons for the first ten months of 1955. In June 1955 the company signed a contract with the US Export-Import Bank for a loan of \$1.25 million, initially to finance the purchase of two diesel electric generators, one with a capacity of 4,000 kW to be installed at the Ta Luang Works, Saraburi, and the other with a capacity of 1,000 kW to be installed at Bangsue, Bangkok. Besides meeting its own requirements the company will sell some of the electricity generated to the government for supply to the general public in the neighbourhood of the works. The Ta Luang plant will supply electricity as far as the old capital of Ayudhya where there are several rice mills. The Export-Import Bank loan will also finance the purchase of equipment for raising the present output of cement from 35,000 tons to 50,000 tons per month.

The Irrigation Department's Cement Company, whose shares have been subscribed to by both the government and the general public, has not yet started operations.

The production of 8,983 tons of white sugar from the two government factories in the 1954/55 season was 2,895 tons lower than that of 1953/54, and 4,270 tons lower than that of the peak year, 1952/53. In spite of the rising yield of sugar per unit of sugar-cane the output from these factories has been on the decline in the last three years because of inadequate supply of sugar-cane which is also needed by the private sugar mills for production of brown sugar. The government is planning to increase the capacity of these factories but the highly seasonal availability of sugar-cane and the cost of retaining labour during the idle period remain the major problems for the industry. In the meantime, a white sugar factory costing 125 million baht with a daily intake of 1,000-1,500 tons of sugar-cane is being set up at Choburi by the National Economic Development Corporation, a government-supported enterprise, and is expected to start operating in 1956.

The government has two paper factories, one in Kanchanaburi with a production capacity of 6-8 tons per day, and the other a paper-reclamation plant at Samsen, Bangkok with a capacity of one ton a day. Plans for improvement of production methods and expansion of the two factories are under way. A plant for reclaiming the soda which has already been used in processing pulp, with a view to reduc-

ing cost by 10-15 per cent, is being installed for operation by the end of 1955 at Kanchanaburi. A plant for manufacturing bleaching liquors by electrolysis of salt was also installed in 1955 at Kanchanaburi. At the Samsen plant new equipment is being installed to raise monthly production from the current average of 20 tons to 40-45 tons.

In 1954 production of the two factories combined totalled 1,815 tons of low-grade writing and printing paper, and for the first quarter of 1955 it was 440 tons. Domestic production is still far short of domestic requirements. The National Economic Development Corporation is exploring sites for a paper factory with a production capacity of 50 tons per day.

The one government-operated gunny bag factory together with the two privately owned plants have a combined production capacity of 6 million bags per year (about 30 per cent of estimated requirements). The government's project to set up another plant for the production of 11 million bags per year has been taken up by the National Economic Development Corporation.

The installation of the government aluminium sulphate plant was completed and it started operating in April 1955.

Among other government-enterprises are two small pilot plants established in 1954, one engaged in making iron articles, especially furniture, and the other in manufacturing pins and paper clips. In March 1955, an experimentation plant was opened for refining crude oil obtained from the Farnag oil fields.

TRADE AND PAYMENTS

To understand the major development which have taken place in the trade-and-payments system of Thailand in 1955 events of the past few years leading up to these changes should be reviewed. Since 1947 Thailand has been relying mainly on a multiple-exchange rate system to regulate its balance of payments. Exporters of the main products, namely rice, rubber, and tin, have been required to surrender part of their proceeds at the official rate of exchange while importers buy their exchange in the free market at a rate much higher than the official rate.

Through 1947-1951, especially during the Korean-war boom, the balance of payments of Thailand was highly favourable and in 1951, as a result of record rice exports of 1.6 million tons, the country had a trade surplus of \$95 million.

In March 1952, the government, with substantial exchange reserves, embarked on a programme of reducing the cost of living by appreciating the baht vis-a-vis the pound sterling through a reduction of the Bank of Thailand sterling rate for imports from 51 to 45 baht to the pound. In 1953, dollars also were sold at a favourable rate for imports. These measures, coupled with a fall, for the first time in the post-war period, of export earnings from rice, resulted in a heavy drain on the central foreign-exchange reserves and a heavy accumulation of stocks of imported goods. The usual trade surplus was much reduced in 1952, and turned into a deficit in 1953.

In November 1953 the government tried to close the trade gap by introducing comprehensive import control, a system which had been abandoned in immediate post-war years because of difficulty in administration. However, in 1954 the trade deficit widened further to \$28.3 million as high imports (although 7 per cent less than in 1953) coincided with a very big decline in exports (12 per cent lower than 1953). Rice exports, which had reached the peak level of 1.6 million tons in 1951, were reduced to just over one million tons in 1954.

In 1955, the government resorted to several measures to provide incentive for exporters. On 1 January 1955 it

did away with the monopoly on rice exports and reverted to private trading. It abolished the system whereby millers had to sell exporters for foreign exchange at fixed standard prices; and the previous practice of export on a government-to-government basis was also abandoned. Since then the government has merely supervised the quality of the rice exported and required exporters to surrender foreign exchange at the official rate according to fixed amounts for various grades of rice and pay premiums in local currency to the government. The new surrender prices for the higher grades were nearly 50 per cent lower than the former standard export prices. The premiums were fixed at 400 baht per ton for whole rice and 20 baht per ton for broken rice.

This relaxation in rice export regulations was intended to introduce a larger measure of flexibility into the rice export trade of Thailand. Further liberalisation took place on 14 August 1955 where the government abolished the requirement to surrender foreign exchange from rice and tin exports. The premium rates payable by rice exporters were raised to 1,050 baht per ton for the best grade of rice and 300 baht per ton for the lowest grade of broken rice, in order to mop up some of the extra profits resulting from the change in the effective rate.

On the same date, the tin royalty rate was also raised. The price per picul (60.5 kg) of tin metal in Malaya, converted in baht, forms the basis of the announced price for the purpose of royalty collection. Prior to 14 August 1955 the rate of conversion used was the official rate of exchange (Baht 4.08 to M\$1); since that date the rate has been at a nominal rate (which was then Baht 6.53 to M\$1) nearer the prevailing market rate. The price is then deflated to take account of the 72 per cent metal content of the tin ore normally produced in Thailand. The royalty rate is then levied under a sliding scale system, ranging from 10 per cent when the calculated price is less than 80 baht per picul, until price reaches 300 baht when the royalty is 94.50 baht. Amounts in excess of 300 baht are subject to a flat 25 per cent royalty rate. On 14 August 1955 it was decreed that 60 per cent of the royalty rate thus calculated should be payable to the government (Prior to this date only 50 per cent was payable). Thus, on the basis of the prevailing exchange rate, the royalty rate was nearly doubled. The actual current income of rice and tin exporters is however higher than before on account of the abolition of the surrender requirements, and the new system allows the government to adjust the premium and royalties more easily to changes in world price movements.

(To be Continued)

PAINT PRODUCTION IN HONGKONG

By Galie Wheen

Paint production is the most important branch of the Colony's chemical industry. It includes the manufacture of the following products: prepared paints, enamels, mastics, putties, nitrocellulose lacquers, transportation finishes, synthetic industrial finishes, stoving enamels, acid resisting enamels, rubber varnishes, tinplate varnishes, plastic emulsion paints (P.V.A.), latex based paints, rust bonderisers, paint removers, oil-bound distempers, insecticidal coatings, insulating varnishes, leather coatings, epicote finishes, paste paints, cement paints, chromate based primers and fire resisting paints.

HISTORY OF THE INDUSTRY

Before the Second World War paint production in Hongkong was economically insignificant and was confined to simple oleo-resinous general purpose paints and quick-drying enamels, mainly suitable for interior applications. Quantities produced were small and there were only four small factories engaged in producing low-grade paint, mostly for local consumers of lower-bracket incomes, where price, and not quality, was the main consideration. Consumers who were willing to pay more preferred to buy well established imported brands, and there was little incentive for factories to expand or to produce better and more expensive nitrocellulose lacquers or high grade synthetic finishes.

After the war, however, with the need for an extensive rehabilitation and new development of the Colony, which was further stressed by the influx of thousands of refugees from the mainland who had to be housed, Hongkong embarked

upon a large rehabilitation and building programme which, in the space of four or five years, transformed it from the war-torn and sorry shell of its former self into the modern, thriving city it is today. This was partly made possible through wise planning of Government: controls were kept to the minimum and this gave full play to the business ability, and enterprise, of local businessmen and industry of the Chinese people, and last but not least, the capital which poured into Hongkong together with the refugees.

Paint forms an important and necessary part of any building activity, and in the years immediately after the war, when good quality imported paints were very short in supply, and when obtaining large quantities of paint was an urgent necessity, building industry in Hongkong turned to the local paint industry which responded to the demand and produced the goods which were required. They found that locally manufactured paints compare favourably with imported paints both in quality and in price. Another great advantage is that there is always a ready stock of fresh paints available. Some very cheap paint is also produced in Hongkong for painting signs and cheap interior decoration. It is so cheap that it has no competition from overseas, as freight would be disproportionate.

The total spent on building and public works in Hongkong during 1948/54 was HK\$759 million, i.e. an average of about HK\$126½ million a year. The number of new paint factories registered during this period shows that, realizing how much was being spent on building in Hongkong, local businessmen saw great opportunities offered in production of paint for local consumption. They also realized that there were great possibilities in developing exports in this line to neighbouring countries, which similarly suffered during the war, and all needed rehabilitation.

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CONSTRUCTION OF NEW BUILDINGS AND PUBLIC WORKS

	IN 1948-1954 (HK\$ Million)				
	1948-1949	1949-1950	1950-1951	1951-1952	1952-1953 1953-1954 Estimate
Non-Government Bldgs.	70.0	130.0	120.0	88.0	148.0
Government Buildings	8.0	12.0	12.0	7.0	15.0
Total new Buildings	78.0	142.0	132.0	75.0	161.0
Public Works	6.0	7.0	6.0	8.0	25.0
Total New Buildings and Public Works	84.0	149.0	138.0	83.0	186.0

Nine factories have been registered after the war, four of them very large. Although exact totals of quantities produced by these factories are not easy to obtain, as far as could be ascertained this is between 10,000 and 11,000 tons per annum. Local consumption is estimated at about 5,000 tons per annum, of which only about 1,000 tons is supplied by imported brands. About 80% of all local needs are supplied by the local factories and a substantial export is being built up.

The decline in use of imported paints in Hongkong, or rather failure to increase imports of paint products proportionate to increase in building activity and money spent on new buildings and maintenance of existing buildings, has sufficiently disturbed some manufacturers of paint products in England who investigated the Hongkong market to determine the cause of this lack of interest in imported brands of paint. Their investigations have shown that a full range of high quality paint products, particularly suitable for local conditions, is now manufactured here and sold at competitive prices. They find it impossible to compete with locally produced paints, except in special luxury lines.

It is now an established fact that all kinds of paint can be produced locally and that they are steadily gaining a high reputation for quality, durability and competitive prices both in Hongkong and in South East Asia, of which Malaya, Thailand, Burma, North Borneo and the Philippines head a long list.

RAW MATERIALS AND MANPOWER

The bulk of raw materials used for paint manufacture here is imported from the United Kingdom; smaller amounts are obtained from the U.S.A., Belgium, Sweden, Denmark, West Germany and South Africa. As there are some hundreds of different raw materials used in paint making, it is only possible to mention them here by their main groups: Oils, driers, solvents, extenders, resins, synthetics, plasticisers, etc. Some essential oils (linseed, tung oil, etc.) and resins are also imported from China as and when available.

Official figures as at the end of October 1955 give the number of workers employed by the nine registered paint factories as follows:— Men 282; Women 186; Total 468. The four largest factories each employ more than double the average of the nine. There are large, European type factories, as well as smaller, native type, factories which only employ a few men each.

The workers range from highly skilled technicians, laboratory chemists, and workers who can handle intricate processes of modern machinery to unskilled female workers who are employed as packers, etc., and do not possess any specialized training. Wages of workers range according to degree of their skill, education and experience:—

Men	Women
\$5.00 to \$9.30 per day (Daily Wage)	\$2.50 to \$4.30 per day (Daily Wage)
\$120.00 to \$340.00 per month with food for unskilled or \$250.00 to \$600.00 per month with food for skilled labour	—

Sundays, public holidays and a 48 hour week are observed, and, if required to work overtime, workers get from 133% to 300% overtime pay. Women are only employed on a daily basis and do not have the same training, and therefore, the same privileges, as the men.

As far as Trade Unions are concerned, the Labour Department has no record of workers in paint factories belonging to any specific Trade Union. There may be isolated cases, where, say, an engineer belongs to an Engineers' Union, but on the whole, all workers are independent.

Workers in paint industry in Hongkong are treated well by the employing companies as far as wages, working hours and accommodation are concerned. In most cases, especially in bigger factories, they work in modern buildings and under reasonable conditions. Wages are comparatively high, with high overtime pay, and workers are generally satisfied. The number of workers in each factory is so small that it is easy for employers to detect any discontent, the cause of it, and if really genuine, to remedy it. Officials of the Labour Department dealing with labour relations could not remember any case of discontent or complaint reported from this quarter.

TECHNICAL METHODS

Most factories, especially the larger ones, are highly mechanised and equipped with the latest types of machinery and time and labour-saving devices. Technical processes are complicated. A rough and sketchy description of the processes used by one of them is as follows: One of the manufacturing processes begins by blending, by skilled workmen, of the oils and resins in vast kettles, which are then wheeled over oil-fired hydro-burners, and this mixture "cooked" and stirred until it reaches required temperature. Then these kettles are wheeled into open air and cooled with water. This mixture is subsequently thinned with solvents to correct consistency and is ready for the next process of being mixed with pigments and extenders. Two processes are used: one for large quantities and another one for small.

Large Quantities: Pigments are fed into the ball-mills (high speed roller-mills) which contain thousands of metal balls. When charged with media and pigments these mills are set in motion and the revolving action causes these balls to rotate and pound and mix the media and pigments. This continues for a full day or more, until the mixture is of right consistency. This mixture (paint) is then ready and is drawn off, through a metal sieve, into tins and containers, which are in turn rolled down a chute into a storage room.

Small Quantities: Although more complicated, the following process is the quicker of the two. The pigments are fed into edge-runners which grind them together with the requisite media. This rough paste is then fed into a triple roller-mill, which disperses it again and makes it into a finer paste. This is in turn fed through fine electrically-powered metal gauze vibrating sieves, which retain any impurities which may have remained in the mixture.

Filling into tins and containers is done automatically and conveyor belts carry tins to the packing floor where they are labelled, sorted and packed into cardboard cartons, and then wooden cases. Each consignment is inspected, weighed and sealed before leaving for its destination.

Constant research and laboratory tests served to improve the quality of locally produced paints until they are able to withstand subtropical climate conditions and can compare favourably with any of the imported brands. The most important recent advance in this line was the development of emulsion paint. Although similar paints have been produced in England, U.S.A. and other countries for some years past, the Duro Paint Manufacturing Co., after

exhaustive tests, started producing emulsion paint for the first time in Hongkong, using polyvinyl acetate as a base. The latex-based paints produced by the China Paint Manufacturing Co. Ltd. and the National Lacquer & Paint Products Co. Ltd. are made on similar lines.

The bigger factories have testing laboratories where extensive tests are being made constantly with the paints produced, to test them under various conditions similar to the climate of Hongkong and other countries of South-East Asia. There is further room for improvement, however, and research and development in this direction should be continued if Hongkong is to retain the markets it has already established, and to build up new ones, to help expand its export trade. A product which can withstand mildew, peeling, and give protection from rust, is needed in each line of manufactured paint.

FINANCE AND ORGANIZATION

It is difficult to establish any definite figures in this connection. All the firms are either Private Limited Companies or belong to single proprietors and financial figures are, therefore, not available to the public. One of them at least (Duro) has world wide ramifications, others are local commercial ventures, and all enjoy the usual credit and banking facilities, especially in connection with export trade. The bigger firms are usually divided into three departments: administrative, productive and experimental. Administrative offices are often situated in the central district of Hongkong in order to facilitate sales of the manufactured paints, buying of raw materials, insurance and shipping, etc. Factories are usually situated in a different part of the city, mainly on the outskirts, where there is more room for expansion and where land is much cheaper. Most paint factories in Hongkong are situated between North Point and Shaukiwan, the area which was developed extensively since the war. In Kowloon and its surrounding districts suitable sites for factories are more readily available, but there is no similar concentration of the paint industry there.

Only larger, European-type, factories have experimental laboratories and these are usually attached to the factories. The smaller, native-type, firm usually combines the factory with the office.

OUTPUT AND SALES

The paint industry produces annually some 11,000 tons of various types of paint, worth about HK\$22 million, 60% of which is exported. However, if one takes into consideration the fact that both Duro and National Lacquer Co. alone can produce over 400 tons a month each, it indicates that Hongkong is capable of exceeding the figure of 11,000 tons a year.

About 80% of local requirements is filled by locally manufactured paints. The largest single buyer of local paints is the Public Works Department of Hongkong Government. Others are: shipping industry, building industry, shipbuilding and ship-repair industry, transport companies, house repairs and maintenance contractors, local industries.

In a humid, sub-tropical climate like that of Hongkong and South-East Asia, it is necessary to repaint exterior of buildings, metal work and wood work at least once every two or three years. The interiors have to be repainted almost as often. This provides a steady demand for the product. The shipping lines often find Hongkong a convenient and cheaper port for renewing paintwork of ships because of the availability and comparative cheapness of local labour. This provides yet another outlet for local paints.

Estimates of local consumption of imported paint in 1954 compared with pre-war figures are as follows:—

	Import	Export	Estimated Local Consumption
1940	\$3,138,592	\$2,013,458	\$1,125,034
1954	5,357,578	785,267	4,572,311

Local demand for imported paints has increased about four times. If local factories can produce paint of quality equal to imported brands, and can offer it at a lower price, there is no reason to doubt that the local paints will overcome the existing prejudice of certain consumers against locally produced goods and will eventually replace most import brands on the local market. If the estimated figure of local sales (of locally manufactured paints) of \$8,800,000 (40% of \$22,000,000) can be considered correct, then this goal of capturing local market from imported brands to the extent of extra \$4,500,000, or at least part of it, should be considered.

Since 1948 there has been a growing export for Hongkong manufactured paint products. Malaya, Thailand, Burma, North Borneo and the Philippines are the biggest importers; proportions are given in the table below:—

Locally Manufactured Pigments, Paints, Varnishes & Related Materials
Export Totals in 1955

Description	Quantity (lbs.)	\$	%
Lacquers and Varnishes divided by countries			
Thailand	547,811	1,485,137	59.50
Malaya	347,063	785,883	81.49
Others	80,667	224,907	9.01
Total Lacquers, etc.	975,541	2,495,927	100.00
Prepared Paints divided by countries			
Malaya	3,777,042	4,432,305	44.85
Thailand	3,574,868	3,610,027	36.53
Burma	552,893	692,849	7.01
North Borneo	472,625	542,221	5.49
Philippines	306,423	324,062	3.28
Others	201,260	279,966	2.84
Total Prepared Paint	3,885,111	9,881,450	100.00

These figures show that local paints, lacquers, etc. are now well established in other markets. Trade enquiries from overseas come through business representatives and as a result of advertising in trade publications. Annual trade exhibitions provide excellent opportunities to display local products to best advantage.

Prices in 1955 compared with the average prices in 1953 and 1954 were as follows:

Unit: 1 lb.	Value per Unit—1953	Value per Unit—1954	Value per Unit—1955
Description			
Lacquers and Varnishes	\$2.36	\$2.33	\$2.55
Prepared Paints	\$1.19	\$1.12	\$1.11

A small increase happened in the prices for lacquers and varnishes and a slight fall in prices for prepared paint. It would be erroneous to assume that profits are maintained at the same level. Raw material prices fluctuate and play a very important part in determining profits. Most factories report diminished profits in 1955. Due to competition, Hongkong manufacturers realize that prices must be kept to a minimum without sacrificing the quality of the product.

ECONOMIC IMPORTANCE

The total number of workers employed by the registered and recorded factories in Hongkong (as at 31/3/54) was as follows:—

Description	Male	Female	Total
All Industries	66,925	39,366	106,291
Paint Industry	282	186	468

Although there are a great number of workers employed in domestic type of industries, who are not registered officially, if we take the official figures only, paint industry in Hongkong is responsible for employing only 0.44% of the total registered number employed. As there is no immediate prospect of great expansion in this trade, and as its highly mechanized manufacturing processes do not require employing of larger numbers of workmen, expansion of paint industry will not mean any greater absorption of labour in the future. However, the aspect of secondary employment should not be neglected. Hongkong paint industry indirectly helps many other local industries: manufacturers of tins, drums, cartons and wooden boxes, printing of labels, etc. It helps import firms by using raw materials, which are all imported. It uses electricity, water, local transport, lighters, shipping space, insurance and banking facilities. All this, however small it may be, contributes to Hongkong economy as a whole.

Estimated output of 11,000 tons of paint products per year, worth about \$22 million, is only a very small part of the total value of goods produced in Hongkong, but is nevertheless an important part. Otherwise the estimated 80% of the local demand for paint would have to be imported, as well as the present value of exports of locally produced paint products (\$12,377,377 in 1955) would have to be deducted from the total export figures—thereby affecting the balance of Hongkong trade.

Exports of locally manufactured paints, lacquers and varnishes have been maintained, and, in fact, slightly increased during 1954, and again in 1955.

Description	1953	1954	1955
Lacquers and Varnishes	\$ 2,320,283	\$ 2,982,140	\$ 2,496,927
Prepared Paints	8,555,131	9,248,929	9,881,450
Total	\$10,875,414	\$12,231,069	\$12,377,377

Although these figures appear to be low in proportion to textile exports, and quite insignificant when compared with the total export trade of the Colony, nevertheless they constituted 1.7% of the total export of locally manufactured goods in 1954 and 1.69% in 1955.

	1953	1954	1955
Total Exports of			
Hongkong Products	\$635,287,904	\$681,878,981	\$730,318,559
Paints, Lacquers and Varnishes	\$ 10,875,414	\$ 12,231,069	\$ 12,377,377

Government aid so far has been insignificant and has been confined to publications of trade returns, annual re-

ports and help in organizing annual Trade Exhibitions. However, the fact that the Public Works Department is the biggest single buyer of local paints, helps this industry financially, and also puts a stamp of approval on these products and serves as an advertisement of their good quality and their competitive prices.

The annual exhibitions here attract buyers from other countries, as well as the local population. Well displayed products attract buyers and serve to acquaint the prospective buyers with the range of products available. On the whole, paints, lacquers and varnishes were displayed well, but too much was often "lumped in" into show cases and the effect was more confusing, rather than eye-catching. More imagination is needed in displays. More samples of different colours and actual finishes should be displayed, especially for paint used in interior decoration or in furniture finishes, with perhaps some actual sample pieces on display. It is much easier to see a wall, say, actually painted with the new emulsion paint, rather than a little 2" x 2" sample square, and imagining how that wall should look if painted with this particular finish. National Lacquer and Paint Products Co. Ltd. had the most colourful and eye-catching advertisement display at the last Exhibition. It was done in large diamonds of different colours displaying their trademark "Camel".

PAINT FACTORIES IN HONGKONG

Name of the firm	Address of Office and Factory
1. National Lacquer and Paint Products Co. Ltd.	704-716 King's Road, North Point, Hongkong
2. China Paint Mfg., Co. Ltd.	1 Arran Street, Kowloon
3. Kin Kwok Lacquer Mfg. Co. Ltd.	1 Glass Street, Causeway Bay Office: Tai Tung Hotel, 1st floor, Connaught Road, Hongkong
4. Duro Paint Mfg., Co. Ltd.	Taikoo Sugar Refinery Compound Shaokwan
5. Gilla Chemical Works	25 Ah Kung Ngam, Shaokwan Office: 12 Wing Lok St. Hongkong
6. Island Paint Co.	KIL 6279 San Shan Road 141 Kowloon City Road
7. Majestic Paint Co. Ltd.	246-248 Fuk Wing Street, Kowloon
8. Hongkong Paint Products Ltd.	Factory: 680 Castle Peak Road, Kowloon Office: Loke Yue Bldg., 6th Floor Queen's Road, C. Hongkong
9. Yiu Hing Paints Co.	25 Tai Wo Street, Hongkong
10. Green Island Cement Co.	Hok Un, Kowloon Office: Telephone House KIL 5615/39 Ngai Chin Wai Village, Kowloon
11. International Chemical Industries Ltd.	Office: Room 230 H. & S. Bank Bldg., Hongkong

FINANCE & COMMERCE

HONGKONG EXCHANGE MARKETS

For the week of 2nd to 7th July 1956

	T.T. High	T.T. Low	Notes High	Notes Low
July				
2				
3	\$595½	594	591¼	589¼
4	596	594½	592½	590%
5	597½	596	593½	592
6	601½	599	598¼	595
7	603	600½	600½	597

D.D. rates: 601 High 592½ Low.

Trading totals: T.T. US\$3,050,000; Notes cash US\$525,000, forward US\$ 2,720,000; D.D. US\$410,000. The mar-

ket continued firm day after day, and touched the highest rate of 603, which was higher than the record high of 600 in 1955. The weakness of the cross rate in New York was the main cause, and all round buying in the local market with reluctant sellers gave added strength to the market. It looked as if rates touched the peak already and reaction is about to come. In the T.T. sector, business was active and sellers repeatedly held back for better rates. In the Notes market, speculators began to unload on the last working day, while shippers demanded cash notes eagerly. Interest favoured sellers and aggregated \$1.79 per US\$1,000. Positions taken aver-

aged US\$2 million per day. In the D.D. sector, market was also active.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.885—1.875, Japan 0.014825—0.0147, Malaya 1.876—1.875, Vietnam 0.0653—0.06389, Thailand 0.2732. Sales: Pesos 330,000, Yen 98 million, Malayan \$285,000, Piastre 8 million, Baht 4½ million. Piastre gained appreciably on the confirmed news of Vietnam officially having allowed the operation of a free exchange market.

Agreed Merchant T.T. rates: Authorised banks quoted selling and buying rates per foreign currency unit

in HK\$: England 16.202—16.10, Australia 13.016—12.757, New Zealand 16.202—15.867, United States 5.818—5.735, Canada 5.948—5.861, India 1.216—1.205, Pakistan 1.218—1.204, Ceylon 1.219—1.207, Burma 1.216—1.205, Malaya 1.889—1.871; only selling rates are quoted for the following per foreign currency unit in HK\$: South Africa 16.236, Switzerland 1.333, Belgium 0.117, West Germany 1.389. Buying rates on application to the exchange banks. This system is unsatisfactory; buying rates should be published in future.

Chinese Exchange: People's Bank Yuan notes quoted \$1.60 per Yuan. Taiwan Bank Dollar notes quoted \$158—155 per thousand, and remittances at 155—154.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 15.76—15.74, Australia 12.50, New Zealand 14.40—14.30, Egypt 15.20, South Africa 15.72, India 1.2025—1.19325, Pakistan 0.81, Ceylon 0.96—0.92, Burma 0.515, Malaya 1.835—1.834, Canada 6.0875—6.0025, Cuba 4.50, Philippines 1.9525—1.95, Switzerland 1.35, West Germany 1.37, Italy 0.0091, Belgium 0.105, Sweden 1.00, Norway 0.70, Denmark 0.77, Netherlands 1.43, France 0.0149—0.0148, Vietnam 0.07—0.069, Laos 0.075, Cambodia 0.074, North Borneo 1.50, Indonesia 0.181—0.177, Thailand 0.269, Japan 0.0149—0.0146, Macau 0.998.

GOLD MARKET

July	High .945	Low .945	Macau .99
2	H o l i d a y		
3	\$258¾	257½	268 Low
4	259	257½	
5	259¾	258¾	
6	261¾	259¾	High 271½
7	262¾	260	

The opening and closing prices were \$257½ and 260¼, and the highest and lowest 262¼ and 257½. Following the trend of US\$ exchange rates, the market was firm with rates moving up quickly without reaction. Interest for the change over favoured sellers and totaled 85 HK cents per 10 taels of .945 fine. Tradings averaged 8,800 taels per day and amounted to 44,000 taels for the week, in which 19,890 taels were actual deliveries (3,990 taels listed and 15,900 taels arranged). Positions taken by speculators averaged 20,500 taels per day. Imports were all from Macau and totalled 14,000 taels. Exports amounted to 15,500 taels (7,500 taels to Singapore, 4,000 to Indonesia, 1,500 to Rangoon, 1,000 to India, 1,000 to Japan, 500 to Korea). Differences paid for local and Macau .99 fine were \$12.50—12.20 and 11.70—11.50 respectively per tael of .945 fine. Cross rates were \$37.90—37.86. Asked price was \$7.90 C.I.F. Macau. U.S. double eagle old and new coins quoted \$265 and 281—228 respectively per coin, and Mexican gold coins 279.50—276.50 per coin.

Silver Market: 500 taels of bar silver were traded at \$6.10—6.05, 1,000 \$ coins at HK\$3.90—3.85, and 1,000 20 cent coins at \$3.00—2.97 per 5 coins. The market was easy due to lower rates in New York and London.

Money and Investments

Money continues easy, inflow from overseas Chinese regular and recently rising tendency. Interpretation of arrival of fresh funds here and investment, usually speculative, in real estate should not be one of "confidence in Hongkong" rather lack of confidence in countries where funds originate. Those lacking such confidence are Chinese residents in S.E. Asian countries where economic nationalism is stronger and antipathy to Chinese more pronounced. Non-Chinese investors in HK are not so easily inclined to extend their real estate holdings; a contrary trend has been observed.

Housing construction flourishes; mostly of a cheap type suiting local

heavy loss. Land prices are sustained by overseas Chinese remittance of funds here, and their bodily movement into Hongkong.

HONGKONG SHARE MARKET

(July 2—5, 1956)

Trading remained slow particularly during the first half week after the Bank Holiday on Monday; prices were weak. HK Banks, however, advanced from 1690 to 1700; buyers depressed offers to 1690 but sellers insisted on 1700. Union Ins remained firm at 980; buying offers at 975 attracted no response. Wharves lost \$1 and Docks eased 50c but Providents gained 10c on the week. Utilities retained active demand throughout the week but Lights and Telephones were slightly depressed by selling pressure. In spite of the slight recovery on Thursday, closing rates of many shares were lower than those for the previous week.

Shares	June 29		Last Week's Rates		Ups or Downs
	Highest	Lowest	Closing	+\$10	
HK Bank	1690	1700	1690 b	1700 s	firm
Union Ins.	980	980	975 b	980	—50c
Wheelock	9.45	9.45	9.35	9.40	—\$1
HK Wharf	91 b	91.50 s	90 b	90 b	—50c
HK Dock	41.50	42 s	41	41	—10c
Provident	14.30	14.50	14.25 s	14.40	—50c
Land	65.50	65.50	65	65	—50c
Realty	1.525	1.55 s	1.475	1.475	—50c
Hotel	14.50	14.60	14.40	14.60	—10c
Trams	23.90	23.90	23.80	23.90	steady
Star Ferry	138	139 s	136 b	139 s	steady
Yau-mat	109 b	109	107	109	steady
Light (o)	25	25	24.60	24.90	—10c
Light (n)	22.20	22.20 s	21.80	21.90	—30c
Electric	31.75	31.75	31.25	31.75	steady
Telephone	25	25	24.70	24.90	—10c
Cement	35.75	35.50	35 b	35.50	—25c
Dairy Farm	16.80	16.80	16.50	16.60	—20c
Watson	11.80	11.70 b	11.40 b	11.70 b	—10c
Yangtze	7	7.05	7 b	7 b	steady
Allied Invest.	5.80 s	5.75 s	5.55 b	5.70	—10c
HK & FE Invest.	11.40 s	11.40 s	11.30 n	11.40 s	steady
Amal. Rubber	1.50	1.50	1.475	1.50 s	steady
Textile	5.40 s	5.50	5.25	5.30	steady
Nanyang	7.50 b	7.60	7.50 b	7.55 b	+5c

conditions. But more elaborate structures are also going up testifying to growing prosperity of top layer of community. Land prices show rising tendency all over Colony. Construction costs are declining and profits of builders much reduced. Keenest competition among construction companies. Rentals are going down though slowly, and prices of flats depressed allowing constructors marginal profits only. Overbuilding and empty flats are noticed all over urban areas. Thanks to presence of large British forces many houses and flats are occupied by officers and NCO's in the city and the New Territories. The British War Office pays much better rentals for accommodation than local residents would do. If more premises were built by War Office, Admiralty, RAF or if the 'emergency' garrison was reduced, many landlords would be deprived of revenue, compelled to sell property at

Monday: Holiday. **Tuesday:** The market was quiet after the long weekend with only a small volume of business transacted. Prices drifted fractionally lower. The turnover amounted to \$754,000. **Wednesday:** Trading was on a light scale and prices easier. The turnover amounted to \$253,000. **Thursday:** Price tended to harden under the leadership of H.K. Banks and Utilities. Sentiment appeared a shade better. The turnover amounted to \$970,000. **Friday:** The market ruled steady; price movements were small. Business amounted to \$780,000. Chief interest was in Utilities, Allied Investors and Hotels.

DIVIDEND

Textile Corporation of H.K. Limited announced a dividend of 50 cents for year 31.3.56 and a proposed new issue of 1 share for every 3 held upon payment of \$5 per share.

HONGKONG AND FAR EASTERN TRADE REPORTS

(July 1—7, 1956)

New c.i.f. quotations for European, U.S. & Japanese goods advanced on account of the pending increase in freight rates. Dealers here slowed down the booking of new indents and instructed suppliers to rush shipments of previous orders before September 1st. Trading remained active in China produce, metals, and paper but demand from Japan, Korea and SE Asia became selective and volume reduced.

China Trade: China and Czechoslovakia concluded a protocol on essential goods required by both countries from 1958 to 1962. To HK, China sent over 4,000 tons of staples, foodstuffs and light industrial products. Increasing quantities of sawn timber reached here from Canton. Among goods transhipped through here to SE Asia were garlic to Singapore and iron wire nails, beer, garlic, galvanized iron wire, vegetables and textiles to Thailand. From the local market, China bought only small quantities of a few items when prices were cheap. There was no order for rubber.

Taiwan Trade: To protect her domestic industry, Taipei banned imports of plate glass, bicycle parts and 16 types of herb medicine. In the local market Taiwan provided active but limited demand for chemicals and pharmaceuticals. Taiwan shipped here substantial quantities of sugar, live hogs, tea, duck feather, citronella oil, textiles and fruits. Taipei also conducted trade negotiations with Lebanon, Philippines, Spain, Italy and South Korea.

Japan Trade: A private Japanese trade mission passed through here on their way to Peking. The mission will conduct preliminary talks for the renewal of the trade agreement expired in May and will also arrange for the exchange of permanent commercial representatives between the two countries. Japan hopes to expand the annual trade volume to £42 million each way. Japanese steel manufacturers want to import as soon as possible 300,000 tons of iron ore and large quantities of coal from China. Last year, Japan bought 113,000 tons of Kailan coal. From HK, Japan procured only limited quantities of a few popular China produce and scrap metals. Dealers here also curtailed booking of supplies from Japan due to the increased cost and freight rates as well as the decline in demand for Japanese goods from SE Asia. Meanwhile, shipments from here to Japan remained active as a result of the recent heavy purchase of staples and scraps in the local market including 8,900 tons of iron ore, 1,100 tons of groundnut kernel, 130 tons of woodoil, 440 tons of iron scrap, 10 tons of brass scrap, 100 tons of sesame and 300 tons of rosin.

Imports from Japan included 2,000 tons of cement and substantial quantities of metals, and textiles. Imports of Japanese sundries slowed down. Transhipments passed through here included 700 tons of cement for Indonesia and 1,700 tons of cement for Thailand.

Korea Trade: Due to the difficulty in getting foreign exchange for the purchases, importers in Seoul sent here more enquiries than orders for paper, metals, pharmaceuticals and other products. Buying offers were still very low in most cases and many transactions failed to materialize because dealers here had to replenish their stock at advanced indent cost. Meanwhile, Seoul was organizing a trade mission to visit Philippines, Taiwan, Indonesia, Thailand, Singapore, South Vietnam and Hongkong next month.

Indonesia Trade: Djakarta announced that Indonesia would clear £4 million trade debt with Peking by sending rubber to China. An agreement was signed in Djakarta on July 2nd between Indonesia and HK under which HK will supply Indonesia with US\$3.5 million worth of cotton yarn; payment for yarn will be in US raw cotton. A similar agreement was signed with UK for the supply to Indonesia of cotton yarn and textiles from UK to a value of US\$3 m. Another agreement was signed with West Germany under similar arrangement. During the week, HK sent to Indonesia under previous orders from Djakarta, over 1,600 tons of HK products consisting mainly of enamelware, cotton yarn, cloth, knitwear, hurricane lantern, kerosene stoves and sundries. Indonesia also bought HK products from Singapore. New bookings from here were slow due to tight money situation in Indonesia. To improve the foreign exchange reserve, Djakarta was considering to increase export subsidy of items such as rosin and rattan whole.

Thailand Trade: Bangkok prohibited imports of grey cloth to protect her domestic industry. Exports from here to Thailand consisted mostly of Chinese products and HK manufactures. Bangkok sent here large quantities of rice and other staples in return. Bangkok also offered 200,000 tons of rice to Peking and indicated that the trade would be balanced by purchasing from China, foodstuffs and industrial products. Chinese industrial products which are enjoying increasing demand in Thai markets include fountain pens, vacuum flasks, iron wire nail, paper, enamelware, radio receiving sets, sewing machines, electric fan, 16 mm movie projector, and hurricane lanterns.

Singapore & Malaya: Exports from here to Singapore totalled 2,700 tons

last week consisting mainly of Chinese foodstuffs and staples. New purchases from here were limited to selective items in metals, pharmaceuticals and China produce. Singapore also bought some HK manufactured goods after the revival of her exports of these items to Indonesia. Commerce Minister in Kuala Lumpur announced that Malayan Government would encourage any efforts to increase trade with China but he added that the proposed trade mission to Peking would have no official backing from the Government. The mission will probably visit China in September. Singapore and Malayan businessmen are hoping to negotiate barter deals (Malayan rubber for cheap Chinese textiles and light industrial products) if there should be any currency difficulties. Since the lifting of the embargo on rubber to China, Malayan authorities received only one application for export licence for 44 tons. Singapore will also send an unofficial trade promotion group to Cambodia and South Vietnam at the end of this month.

The Philippines: In spite of the allocation of new import foreign exchange in Manila, exports from here to the Philippines remained slow on account of import restrictions there. Philippines sent here substantial quantities of groundnut kernel and sugar but imports of other Philippine staples failed to improve because of the high cost.

South Vietnam, Cambodia and Laos: Imports from these states included woodoil, aniseed oil, tea, cassia lignea, duck feathers, sesame, maize and cotton. In return, HK shipped tea, textiles and canned food to Saigon and wheat flour, structural steels, garlic, raw silk, paper, sewing machine, torch light cases, enamelware and textiles to Phnompenh. Regulations in these states governing imports under US Aid Funds were relaxed to allow imports from areas other than producing countries. As a result, local dealers received from Saigon enquiries for cement, paper, electric appliances, wheat flour, Japanese textiles, torch batteries and sundries.

India & Pakistan: Pakistan sent here over 1,000 tons of cotton yarn and cotton last week. India also shipped here 200 tons of yarn and cotton. Meanwhile India further tightened control over imports of consumer goods.

Burma & Ceylon: Exports of machinery, textiles, old newspaper, foodstuffs and sundries to Burma remained active. From Burma, HK bought more rice. Shipments to Ceylon slowed down. Only 10 tons of dried red chilli and small quantities of HK manufactures (hurricane lantern, enamelware, textiles, etc.) left here for Ceylon last week.

Europe Trade: Cargo movements between HK and Europe were very

active because dealers here had urged suppliers to effect shipments before the increase of freight rates; buyers in Europe also requested HK manufacturers to rush shipments.

New Zealand & Australia: New Zealand bought more HK manufactured plastic products, umbrella, textiles and metalware for shipments before Xmas. From Australia HK bought 1,300 tons of wheat and about 300 tons of hide, wooltops and dairy products.

Africa Trade: HK bought more staples from Africa and exported in return, more HK manufactures. Over 3,000 tons were booked for shipment on July 10 to W. Africa.

Canada Trade: HK imported newsprint from Canada when supply from US and Europe dwindled. To Canada, HK shipped 1,000 tons of rattan furniture, gloves, preserved ginger, frozen prawn, cassia lignea and other China produce.

Trade with UK: UK manufacturers rushed shipments to HK in view of the pending increase in freight rates. 4,500 tons of metals, textiles, industrial chemicals, dyestuffs, pharmaceuticals and foodstuffs arrived here last Sunday.

U.S.A.: Over 6,000 cases of oranges arrived but retail price of oranges remained very high—50c each. Imports from US also included black plate, motor cars, stationery, and textiles. Rattan furniture constituted the major portion of exports to US last week.

South America: HK imported 900 tons of cotton from Brazil. Exports to S. America included cassia lignea and other China produce as well as HK manufactured textiles, firecrackers, enamelware, and torchlight cases.

China Produce: Japan remained interested in popular items but the volume of purchase was much curtailed. SE Asia also made selective purchases while Europe sent here more enquiries than orders. Garlic was very popular throughout the week—heavy arrival from China was completely absorbed by demand from Cambodia, Singapore, South Vietnam, Thailand and Indonesia; price was further stimulated towards weekend when China marked up new indents. Green peas retained steady demand from Singapore, Malaya, India and Japan. Burmese green peas advanced in cost because Japan also made heavy purchases direct from Burma. Soya bean enjoyed steady exports to Singapore and Penang; price improved when stock dwindled. Maize, first declined under heavy stock but later improved on renewed demand from Japan and enquiries from Europe. Sesame registered sales to Japan but low buying offers and large stock depressed prices. Groundnut kernel enjoyed steady local consumption but new ar-

rivals from the Philippines and Thailand eased quotations. Groundnut oil continued to drop. Aniseed oil declined in spite of exports to UK; cost of Haiphong products was marked down. Spun silk and raw silk gained on strong demand from Middle East and low stock; menthol crystal improved on orders from Indonesia and Burma; and citronella oil firmed on curtailed supply from Taiwan. Prices of other popular items were steady particularly those items which China had restricted or cut exports to the local market due to one reason or another.

Paper: Korea, Thailand and South Vietnam circulated many enquiries but concluded only a few orders last week; most buying offers were too low to interest local dealers who had to pay more for replenishments after indents from Europe and Japan were marked up. Newsprint in reel retained strong demand from Korea but US products were too expensive and short; Korea finally bought home Canadian products. Chinese newspapers were favoured by local buyers and Thailand but low stock limited transactions. Woodfree printing was stimulated by enquiries from South Vietnam and demand from Korea; transparent cellulose paper remained steady on orders from Thailand and Korea; but aluminium foil failed to improve in sales to Korea because stock was heavy. Items which retained steady local demand included newspapers, art printing, woodfree printing, poster, m.g. cap, m.g. white sulphite, manifold, transparent cellulose paper, glassine, flint, duplex and straw boards of Japanese and Chinese origins; the volume of these orders, however, was very insignificant.

Metals: CIF quotations from US, UK, Europe and Japan all advanced. Dealers here were waiting for local market prices to go up before booking new supplies; many items were cheaper here than new indents while buying offers from SE Asia and China remained low. Towards weekend, speculators absorbed tinplate waste and mild steel plate. These two items were favoured by Cambodia and Singapore; prices therefore improved but tinplate waste still lower than new indents. China enquired for 2,000 tons mild steel round bars which gained also on orders from Thailand. A few months ago, China offered to supply here with mild steel round bars and even sent here several small consignments. China also enquired for galvanized iron sheet, baling hoops and steel wire rope. Japan continued to procure substantial quantities of scrap iron from here; buying offers towards weekend were reduced because Japan got cheaper offers from US. Local iron works bought old ships and dismantled them for scraps instead of competing with Japan for supply from the local market. Trading on the whole was slow last week. Local demand was centred on

blackplate waste, galvanized iron sheet, aluminium sheet, galvanized steel plate and mild steel plate.

Industrial Chemicals: Korea and Taiwan circulated many enquiries but ordered only insignificant quantities of a few items. Shellac failed to improve on Taiwan enquiries because stock was heavy. Sodium cyanide was favoured by Taiwan and China but buying offers were too low to stimulate prices. Sodium hydrosulphite and ammonium bicarbonate improved on short stock and enquiries from Taiwan. Formalin eased under heavy supply, linseed oil depressed by lower indents and gum copal declined when enquiries from Korea and Taiwan were not followed up with orders.

Pharmaceuticals: Selective purchases by Taiwan, SE Asia and China kept popular items firm. Quinine powder was favoured by all sources but price registered no gain because buying offers were low. Aspirin, phenacetin, sulfadiazine, caffeine alkaloid, amidopyrin and resochin ampoule were bought by China but the quantities involved were too small to stimulate prices. Items which were favoured by Taiwan included sulfadiazine tablets, potassium

iodine, gum acacia and clinical thermometer.

Yarn & Piece Goods: HK cotton yarn remained weak under keen competition from Pakistan yarn and slow exports. Processing orders from Indonesia would only keep local mills busy for about a month or two. Pakistan cotton yarn remained popular with weaving factories and dealers here booked more supplies. Indian cotton yarn also enjoyed steady local demand but Japanese products eased due to the lack of demand. Japanese fibre yarn was firm on marked-up indent but dealers did not book any new supply. Japanese rayon yarn retained steady local demand; price improved on short stock and curtailed supply. Trading in cotton piece goods remained sluggish with only Saigon making limited purchases of Japanese grey sheeting which improved on increased cost.

Rice & Wheat Flour: Steady local demand plus increased cost of Thai rice kept the market very firm. Dealers did not book any new supply from Thailand on account of the increased cost which forced them to consider imports from Burma, China and other sources. HK wheat flour was marked up as a result of recent heavy shipments to South Vietnam, Thailand, Singapore and Burma. Trading in other products remained slow.

Sugar: Heavy arrival from Taiwan and the Philippines further depressed the slow market. Prices registered a general decline towards weekend when Japan also shipped. Here substantial quantities of fine sugar.

Cement: In spite of the arrival of more than 2,000 tons from Japan, dealers here booked more supply from Japan at \$116 per ton cif HK. Local demand dominated the market and kept the price firm particularly when China did not ship here any large consignments. Exports were affected by SE Asia's direct purchase from Japan. Green Island products retained steady local demand while Danish white cement improved on short stock.

Hongkong Products: An informal meeting was held between HK Exporters' Association and Chinese Manufacturers' Union to discuss the expansion

of sales of HK manufactures. The meeting is significant because participants are all leaders in commerce and industry. Representing the Exporters' Association were Messrs. H. Owen-Hughes, Dhun Ruttonjee, P. R. Wareing, U Tat-chee, Fung Hon-chu, A. H. Dinnen and J. A. King. Representing the Union were Messrs. Haking Wong, John Tong, Lam Kung and Lai Yam-yu.

June Trade and Shipping Statistics: Trade figures for June are: Imports—\$371,931,455; Exports—\$242,490,335; Total—\$614,421,790. Compared with those for June 1955, imports were up by \$68,724,097 and exports up by \$49,290,896. Shipping figures for June are: Imports—298,766 tons; Exports—139,421 tons.

HONGKONG COMPANY INCORPORATIONS

The following new private companies were incorporated in Hongkong during the fortnight ended June 2, 1956:—

Eurasia Import & Export Co. (H.K.) Limited: Nominal Capital, \$200,000; Registered Office, 301B Great China Building, Hongkong; Subscribers—Lee Shih-kang, 418 United Apartments, Hongkong, Merchant, Yeh Hong Cheong, 19 Monmouth Terrace, Hongkong, Merchant.

Yau Tak Hong (Rice Merchants) Limited: Nominal Capital, \$500,000; Registered Office, 85 Connaught Road West, Hongkong; Subscribers—Foo Chi-Hing, 4 Sunning Road, Hongkong, Merchant; Chan Kwan-Ng, 44 Bonham Strand West, Hongkong, Merchant; Chan Wong, 264 King's Road, Hongkong, Merchant.

Lever Shirt, Garment, Weaving, Bleaching and Dyeing Factory, Limited: Nominal Capital, \$100,000; Registered Office, Kowloon Inland Lot No. 6502, Tung Chow Street; Subscribers—Richard Wai Szeto, 20 Connaught Road West, Hongkong, Merchant; Gerritje Anna Hidma, 178 Mount Kellet Road, The Peak, Hongkong, Married Woman.

Ming Shun Company, Limited: Importers and exporters; Nominal Capital, \$100,000; Registered Office, 5D Ice House Street, Hongkong; Subscribers—Tsao Yao, 277 Prince Edward Road, Kowloon, Banker; Yap Lee Po, 89 Wongneichong Road, Hongkong, Banker; Wong Ker Lee, 6 Lily Street, Hongkong, Banker.

Yan On Land Investment Company, Limited: Nominal Capital, \$150,000; Registered Office, 30 Ko Shing Street, Hongkong; Subscribers—Chan Yock-Kwong, 6 Finnie Road, Hongkong, Merchant; Chan Tak-Wah, 6 Finnie Road, Hongkong, Merchant; Cheng Miu-Fan, 6 Finnie Road, Hongkong, Married Woman.

Hop Hing Cheong Company, Limited: To deal in real estates; Nominal Capital, \$600,000; Registered Office, 166 Wing Lok Street, Hongkong; Subscribers—Cheung Shou Shik, 166 Wing Lok Street, Hongkong, Merchant; Yau Shi Chun, 166 Wing Lok Street, Hongkong, Merchant.

Wing Lok Limited: Dealers in soft drinks; Nominal Capital, \$250,000; Registered Office, 59A Queen's Road East, Hongkong; Subscribers—Lee Iu Cheung, 230 Prince Edward Road, Kowloon, Merchant; Lui Sing-u, 301 Prince Edward Road, Kowloon, Merchant.

Globe Trading Company, Limited: Nominal Capital, \$500,000; Registered Office, 37 Des Voeux Road Central, Hongkong; Subscribers—Lee Po, 9A Comfort Terrace, North Point, Hongkong, Merchant; Lee Him, 230 Prince Edward Road, Hongkong, Merchant.

Kwong Yue Investment Company, Limited: Nominal Capital, \$250,000; Registered Office, 8A Wing Lok Street, Hongkong; Subscribers—Lau Lim, 35 Macdonnell Road, Flat 504, Hongkong, Merchant; Lau Ho, 3 Lower Castle Road, Hongkong, Merchant; Lau Chung, 1 Kotewall Road, Hongkong, Merchant.

Super Auto Service Limited: Nominal Capital, \$500,000; Registered Office, Kowloon Inland Lot No. 6416, Kowloon, Subscribers—H. F. Ngai, 12 Suffolk Road, Kowloon, Merchant; P. W. Wong, 2 Homantin Hill Road, Kowloon, Merchant; Ben Fong, 7 Hanoi Road, Kowloon, Merchant.